

REFINITIV

DELTA REPORT

10-Q

FUNC - FIRST UNITED CORP/MD/

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

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TOTAL DELTAS 986

█ **CHANGES** 226

█ **DELETIONS** 353

█ **ADDITIONS** 407

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For quarterly period ended **March 31, 2024** **June 30, 2024**

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission file number 0-14237

First United Corporation

(Exact name of registrant as specified in its charter)

Maryland	52-1380770
(State or other jurisdiction of incorporation or organization)	(I. R. S. Employer Identification No.)
19 South Second Street, Oakland, Maryland	21550-0009
(Address of principal executive offices)	(Zip Code)

(800) 470-4356

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbols	Name of each exchange on which registered
Common Stock	FUNC	Nasdaq Stock Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer

Accelerated Filer

Non-Accelerated filer

Smaller Reporting Company

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standard provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:
6,648,645 6,465,601 shares of common stock, par value \$0.01 per share, as of **April 30, 2024** **July 31, 2024**.

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FIRST UNITED CORPORATION**

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

First United Corporation and Subsidiaries

Consolidated Statements of Financial Condition
(In thousands, except share data - Unaudited)

	March 31,		December	
	2024		2023	
	2024	2023	2024	2023
Assets				
Cash and due from banks	\$ 85,578	\$ 48,343	\$ 43,635	\$ 48,343
Interest bearing deposits in banks	1,354	1,410	1,457	1,410
Cash and cash equivalents	86,932	49,753	45,092	49,753
Investment securities – available for sale (at fair value)	95,580	97,169	92,954	97,169
Investment securities – held to maturity, net of allowance for credit losses of \$45 and \$45, respectively (fair value \$152,225 at March 31, 2024 and \$184,415 at December 31, 2023)	183,136	214,297		
Investment securities – held to maturity, net of allowance for credit losses of \$45 at June 30, 2024 and December 31, 2023 (fair value \$143,030 at June 30, 2024 and \$184,415 at December 31, 2023)			174,197	214,297
Restricted investment in bank stock, at cost	3,390	5,250	3,395	5,250
Loans held for sale	175	443	447	443
Loans	1,412,327	1,406,667	1,422,975	1,406,667
Unearned fees	(314)	(340)	(306)	(340)
Allowance for credit losses	(17,982)	(17,480)	(17,923)	(17,480)
Net loans	1,394,031	1,388,847	1,404,746	1,388,847
Premises and equipment, net	30,268	31,459	29,688	31,459
Goodwill and other intangibles	12,021	12,103	11,938	12,103
Bank owned life insurance	47,933	47,607	48,267	47,607
Deferred tax assets	10,736	11,133	11,214	11,133
Other real estate owned, net	4,402	4,493	2,978	4,493
Right of use assets	1,299	1,367	1,230	1,367
Pension asset	13,022	11,208	12,850	11,208
Accrued interest receivable	7,762	7,487	7,115	7,487
Other assets	22,266	23,244	22,488	23,244
Total Assets	\$ 1,912,953	\$ 1,905,860	\$ 1,868,599	\$ 1,905,860
Liabilities and Shareholders' Equity				
Liabilities:				
Non-interest bearing deposits	\$ 422,759	\$ 427,670	\$ 423,970	\$ 427,670
Interest bearing deposits	1,140,694	1,123,307	1,113,101	1,123,307
Total deposits	1,563,453	1,550,977	1,537,071	1,550,977
Short-term borrowings	79,494	45,418	62,564	45,418
Long-term borrowings	70,929	110,929	70,929	110,929
Operating lease liability	1,484	1,556	1,412	1,556
SERP deferred compensation	9,859	9,777	9,979	9,777
Allowance for credit losses on off-balance sheet credit exposures	858	873	801	873
Accrued interest payable	919	612	1,352	612
Other liabilities	19,147	22,515	19,021	22,515
Dividends payable	1,329	1,330	1,293	1,330
Total Liabilities	1,747,472	1,743,987	1,704,422	1,743,987
Shareholders' Equity:				
Common Stock – par value \$0.01 per share; Authorized 25,000,000 shares; issued and outstanding 6,648,645 shares at March 31, 2024 and 6,639,888 at December 31, 2023	66	66		

Common Stock – par value \$0.01 per share; Authorized 25,000,000 shares; issued and outstanding 6,465,601 shares at June 30, 2024 and 6,639,888 at December 31.				
2023			65	66
Surplus	23,865	23,734	20,280	23,734
Retained earnings	176,272	173,900	179,892	173,900
Accumulated other comprehensive loss	(34,722)	(35,827)	(36,060)	(35,827)
Total Shareholders' Equity	165,481	161,873	164,177	161,873
Total Liabilities and Shareholders' Equity	\$ 1,912,953	\$ 1,905,860	\$ 1,868,599	\$ 1,905,860

See accompanying notes to the consolidated financial statements

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First United Corporation and Subsidiaries

Consolidated Statements of Operations

(In thousands, except per share data)

	Three Months Ended		Six Months Ended	
	March 31, 2024	2023	June 30, 2024	2023
Interest income				
Interest and fees on loans	\$ 19,218	\$ 15,444	\$ 39,439	\$ 32,224
Interest on investment securities				
Taxable	1,744	1,768	3,441	3,547
Exempt from federal income tax	53	270	106	538
Total investment income	1,797	2,038	3,547	4,085
Other	883	347	2,025	1,492
Total interest income	21,898	17,829	45,011	37,801
Interest expense				
Interest on deposits:				
Savings	48	79	94	135
Interest-bearing transaction accounts	4,701	2,186	9,712	5,128
Time deposits	1,517	413	2,858	1,765
Total interest on Deposits	6,266	2,678	12,664	7,028
Interest on short-term borrowings	461	31	970	60
Interest on long-term borrowings	1,359	602	2,327	2,021
Total Interest Expense	8,086	3,311	15,961	9,109
Net interest income	13,812	14,518	29,050	28,692

Credit loss expense - loans	961	414	2,212	848
Credit loss expense - off-balance sheet credit exposures	(15)	129		
Credit loss (credit)/expense - off-balance sheet credit exposures			(72)	90
Total credit loss expense	946	543	2,140	938
Net interest income after provision for credit losses	12,866	13,975	26,910	27,754
Other operating income				
Net gains on sales of residential mortgage loans	82	54	141	140
Net gains	82	54	141	140
Other Income				
Service charges on deposit accounts	556	516	1,112	1,062
Other service charges	215	232	440	476
Trust department	2,188	1,970	4,443	3,995
Debit card income	932	955	1,931	1,986
Bank owned life insurance	326	305	660	616
Brokerage commissions	495	297	857	555
Other	81	64	132	132
Total other income	4,793	4,339	9,575	8,822
Total other operating income	4,875	4,393	9,716	8,962
Other operating expenses				
Salaries and employee benefits	7,157	7,296	14,413	14,166
FDIC premiums	269	193	554	470
Equipment expense	923	780	1,558	1,527
Occupancy expense of premises	954	785	1,606	1,527
Data processing expense	1,318	1,306	2,740	2,612
Marketing expense	134	120	318	280
Professional services	486	494	935	1,014
Contract labor	183	134	267	291
Telephone	109	110	212	226
Total OREO expense, net	86	124	100	142
Investor relations	53	83	144	206
Contributions	50	64	116	143
Other	1,159	1,149	2,282	2,545
Total other operating expenses	12,881	12,638	25,245	25,149
Income before income tax expense	4,860	5,730	11,381	11,567
Provision for income tax expense	1,162	1,355	2,769	2,778
Net Income	\$ 3,698	\$ 4,375	\$ 8,612	\$ 8,789
Basic net income per share	\$ 0.56	\$ 0.66	\$ 1.31	\$ 1.32
Diluted net income per share	\$ 0.56	\$ 0.65	\$ 1.31	\$ 1.31
Weighted average number of basic shares outstanding	6,642	6,675	6,585	6,689
Weighted average number of diluted shares outstanding	6,655	6,697	6,596	6,707
Dividends declared per common share	\$ 0.20	\$ 0.20	\$ 0.40	\$ 0.40

See accompanying notes to the consolidated financial statements

First United Corporation and Subsidiaries

Consolidated Statements of Operations

(in thousands, except per share data)

	Three Months Ended	
	June 30,	
	2024	2023
	(Unaudited)	
Interest income		
Interest and fees on loans	\$ 20,221	\$ 16,780
Interest on investment securities		
Taxable	1,697	1,779
Exempt from federal income tax	53	268
Total investment income	1,750	2,047
Other	1,142	1,145
Total interest income	23,113	19,972
Interest expense		
Interest on deposits:		
Savings	46	56
Interest-bearing transaction accounts	5,011	2,941
Time deposits	1,341	1,353
Total interest on Deposits	6,398	4,350
Interest on short-term borrowings	509	29
Interest on long-term borrowings	968	1,419
Total Interest Expense	7,875	5,798
Net Interest income	15,238	14,174
Credit loss expense - loans	1,251	434
Credit loss credit - off-balance sheet credit exposures	(57)	(39)
Total credit loss expense/(credit)	1,194	395
Net interest income after provision for credit losses	14,044	13,779
Other operating income		
Gains on sales of residential mortgage loans	59	86
Net gains	59	86
Other Income		
Service charges on deposit accounts	556	546
Other service charges	225	244
Trust department	2,255	2,025
Debit card income	999	1,031
Bank owned life insurance	334	311
Brokerage commissions	362	258
Other	51	68
Total other income	4,782	4,483
Total other operating income	4,841	4,569
Other operating expenses		
Salaries and employee benefits	7,256	6,870
FDIC premiums	285	277
Equipment	635	747
Occupancy	652	742
Data processing	1,422	1,306
Marketing	184	160
Professional services	449	520
Contract labor	84	157

Telephone	103	116
Total other real estate owned expenses, net	14	18
Investor relations	91	123
Contributions	66	79
Other	1,123	1,396
Total other operating expenses	12,364	12,511
Income before income tax expense	6,521	5,837
Provision for income tax expense	1,607	1,423
Net Income	\$ 4,914	\$ 4,414
Basic net income per common share	\$ 0.75	\$ 0.66
Diluted net income per common share	\$ 0.75	\$ 0.66
Weighted average number of basic shares outstanding	6,527	6,704
Weighted average number of diluted shares outstanding	6,537	6,718
Dividends declared per common share	\$ 0.20	\$ 0.20

See accompanying notes to the consolidated financial statements

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First United Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
(In thousands)

	Three Months Ended		Six Months Ended	
	March 31,		June 30,	
	2024	2023	2024	2023
Comprehensive Income				
Net Income				
Other comprehensive loss, net of tax and reclassification adjustments:				
Available for sale securities:				
Unrealized holding gains/(losses) on investments with credit related impairment		\$ 210	\$ (1,606)	
Unrealized holding losses on investments with credit related impairment				\$ (633)\$ (1,408)
Reclassification adjustment for accretable yield realized in income		50	50	101 101
Other comprehensive income/(loss) on investments with credit related impairment		160	(1,656)	
Other comprehensive loss on investments with credit related impairment				(734) (1,509)
Unrealized holding (losses)/gains on all other AFS investments		\$ (623)	\$ 1,340	
Other comprehensive (loss)/income on all other AFS investments		(623)	1,340	
Unrealized holding losses on all other AFS investments				\$ (1,341)\$ (881)
Other comprehensive loss on all other AFS investments				(1,341) (881)

Held to Maturity Securities				
Unrealized holding losses on securities transferred to held to maturity	\$ —	\$ —		
Unrealized holding gains on securities transferred to held to maturity			\$ —	\$ —
Reclassification adjustment for amortization realized in income	(160)	(181)	(320)	(345)
Other comprehensive income on HTM investments	160	181	320	345
Cash flow hedges:				
Unrealized holding gains/(losses) on cash flow hedges	\$ 73	\$ (188)		
Other comprehensive income/(loss) on cash flow hedges	73	(188)		
Unrealized holding gains on cash flow hedges			\$ 4	\$ 16
Other comprehensive income on cash flow hedges			4	16
Pension plan liability:				
Unrealized holding gains on pension plan liability	\$ 1,489	\$ 168	\$ 951	\$ 105
Reclassification adjustment for amortization of unrecognized loss realized in income	(203)	(250)	(406)	(499)
Other comprehensive gain on pension plan liability	1,692	418		
Other comprehensive income on pension plan liability			1,357	604
SERP liability:				
Unrealized holding gains on SERP liability	\$ —	\$ —	\$ —	\$ —
Reclassification adjustment for amortization of unrealized (gain)/loss realized in income	(39)	2	(78)	4
Other comprehensive income/(loss) on SERP liability	39	(2)	78	(4)
Other comprehensive income before income tax	1,501	93		
Income tax effect related to other comprehensive income	(396)	(24)		
Other comprehensive loss before income tax			(316)	(1,429)
Income tax effect related to other comprehensive loss			83	345
Other comprehensive income, net of tax	1,105	69		
Other comprehensive loss, net of tax			(233)	(1,084)
Comprehensive income	\$ 4,803	\$ 4,444	\$ 8,379	\$ 7,705

See accompanying notes to the consolidated financial statements

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First United Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
 (In thousands)

Three Months Ended	
June 30,	
2024	2023

Comprehensive Income		(Unaudited)	
Net Income		\$ 4,914	\$ 4,414
Other comprehensive loss, net of tax and reclassification adjustments:			
Available for sale securities:			
Unrealized holding (losses)/gains on investments with credit related impairment	\$ (843)	\$ 198	
Reclassification adjustment for accretable yield realized in income	51	51	
Other comprehensive (loss)/income on investments with credit related impairment	(894)	147	
Unrealized holding losses on all other AFS investments	\$ (717)	\$ (2,221)	
Other comprehensive loss on all other AFS investments	(717)	(2,221)	
Held to Maturity Securities			
Unrealized holding losses on securities transferred to held to maturity	\$ —	\$ —	
Unrealized holding gains on HTM investments	\$ —	\$ —	
Reclassification adjustment for amortization realized in income	(160)	(164)	
Other comprehensive income on HTM investments	160	164	
Cash flow hedges:			
Unrealized holding (losses)/gains on cash flow hedges	\$ (69)	\$ 204	
Other comprehensive (loss)/income on cash flow hedges	(69)	204	
Pension plan liability:			
Unrealized holding losses on pension plan liability	\$ (538)	\$ (63)	
Reclassification adjustment for amortization of unrecognized loss realized in income	(203)	(249)	
Other comprehensive (loss)/income on pension plan liability	(335)	186	
SERP liability:			
Unrealized holding losses on SERP liability	\$ —	\$ —	
Reclassification adjustment for amortization of unrealized loss realized in income	(39)	2	
Other comprehensive income/(loss) on SERP liability	39	(2)	
Other comprehensive loss before income tax	(1,816)	(1,522)	
Income tax benefit related to other comprehensive income	478	369	
Other comprehensive loss, net of tax	(1,338)	(1,153)	
Comprehensive income	\$ 3,576	\$ 3,261	

See accompanying notes to the consolidated financial statements

	Common Stock	Surplus	Retained Earnings	Comprehensive Loss	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at January 1, 2024	\$ 66	\$ 23,734	\$ 173,900	\$ (35,827)	\$ 161,873	
Net income			3,698			3,698
Other comprehensive income				1,105		1,105
Stock based compensation		57				57
Common stock issued - 8,757 shares		74				74
Common stock dividend declared - \$0.20 per share			(1,326)			(1,326)
Balance at March 31, 2024	<u>\$ 66</u>	<u>\$ 23,865</u>	<u>\$ 176,272</u>	<u>\$ (34,722)</u>	<u>\$ 165,481</u>	
	Common Stock	Surplus	Retained Earnings	Comprehensive Loss	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at January 1, 2024	\$ 66	\$ 23,734	\$ 173,900	\$ (35,827)	\$ 161,873	
Net income			3,698			3,698
Other comprehensive income				1,105		1,105
Stock based compensation		57				57
Common stock issued - 8,757 shares		74				74
Common stock dividend declared - \$0.20 per share			(1,326)			(1,326)
Balance at March 31, 2024	<u>\$ 66</u>	<u>\$ 23,865</u>	<u>\$ 176,272</u>	<u>\$ (34,722)</u>	<u>\$ 165,481</u>	
Net income			4,914			4,914
Other comprehensive loss				(1,338)		(1,338)
Stock based compensation		376				376
Common stock issued - 18,756 shares		70				70
Common stock repurchase - 201,800 shares	(1)	(4,031)				(4,032)
Common stock dividend declared - \$0.20 per share			(1,294)			(1,294)
Balance at June 30, 2024	<u>\$ 65</u>	<u>\$ 20,280</u>	<u>\$ 179,892</u>	<u>\$ (36,060)</u>	<u>\$ 164,177</u>	

First United Corporation and Subsidiaries

Consolidated Statements of Changes in Shareholders' Equity

(In thousands, except per share data)

	Common Stock	Surplus	Retained Earnings	Comprehensive Loss	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at January 1, 2023	\$ 67	\$ 24,409	\$ 166,343	\$ (39,026)	\$ 151,793	
Adoption of ASC 326- Financial Instruments- Credit						
Losses			(2,155)			(2,155)
Net income			4,375			4,375
Other comprehensive income				69		69
Stock based compensation		56				56
Common stock issued - 22,282 shares		64				64
Common stock dividend declared - \$0.20 per share			(1,334)			(1,334)
Balance at March 31, 2023	<u>\$ 67</u>	<u>\$ 24,529</u>	<u>\$ 167,229</u>	<u>\$ (38,957)</u>	<u>\$ 152,868</u>	
	Common Stock	Surplus	Retained Earnings	Comprehensive Loss	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at January 1, 2023	\$ 67	\$ 24,409	\$ 166,343	\$ (39,026)	\$ 151,793	
Adoption of ASC 326- Financial Instruments- Credit						
Losses			(2,155)			(2,155)

Net income		4,375		4,375
Other comprehensive income			69	69
Stock based compensation	56			56
Common stock issued - 22,282 shares	64			64
Common stock dividend declared - \$0.20 per share		(1,334)		(1,334)
Balance at March 31, 2023	\$ 67	\$ 24,529	\$ 167,229	\$ (38,957)
Net income			4,414	4,414
Other comprehensive loss			(1,153)	(1,153)
Stock based compensation	298			298
Common stock issued - 18,416 shares	74			74
Common stock dividend declared - \$0.20 per share		(1,345)		(1,345)
Balance at June 30, 2023	\$ 67	\$ 24,901	\$ 170,298	\$ (40,110)
				\$ 155,156

See accompanying notes to the consolidated financial statement

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First United Corporation and Subsidiaries
 Consolidated Statements of Cash Flows
 (In thousands)

	Three Months Ended		(Unaudited)	
	March 31,			
	2024	2023		
Operating activities				
Net income	\$ 3,698	\$ 4,375		
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for credit losses	946	543		
Depreciation	1,256	853		
Stock based compensation	57	56		
Gain on sales of other real estate owned	(23)	(36)		
Write-downs of other real estate owned, net	—	32		
Originations of loans held for sale	(1,707)	(552)		
Proceeds from sales of loans held for sale	2,057	422		
Gains from sales of loans held for sale	(82)	(54)		
Net accretion of investment securities discounts and premiums- AFS	(22)	(15)		
Net accretion of investment securities discounts and premiums- HTM	(178)	(200)		
Amortization of intangible assets	82	83		
Earnings on bank owned life insurance	(326)	(306)		
Amortization of deferred loan (fees)/costs, net	(44)	12		
Amortization of operating lease right of use asset	68	82		
Decrease in accrued interest receivable and other assets	387	542		
Deferred tax expense/(benefit)	397	(934)		
Operating lease liability	(72)	(93)		
Decrease in accrued interest payable and other liabilities	(2,906)	(1,300)		

Net cash provided by operating activities	3,588	3,510
Investing activities		
Proceeds from maturities/calls of investment securities - AFS	1,145	1,609
Proceeds from maturities/calls of investment securities - HTM	31,339	2,776
Proceeds from sales of other real estate owned	114	139
Net decrease/(increase) in restricted stock	1,860	(3,463)
Net increase in loans	(6,101)	(9,761)
Purchases of premises and equipment	(65)	(112)
Net cash provided by/(used in) by investing activities	28,292	(8,812)
Financing activities		
Net increase in deposits	12,476	20,552
Issuance of common stock	74	64
Cash dividends paid on common stock	(1,327)	(1,199)
Net increase/(decrease) in short-term borrowings	34,076	(12,535)
Proceeds from long-term borrowings	—	80,000
Payments of long-term borrowings	(40,000)	—
Net cash provided by financing activities	5,299	86,882
Increase in cash and cash equivalents	37,179	81,580
Cash and cash equivalents at beginning of the year	49,753	74,315
Cash and cash equivalents at end of period	\$ 86,932	\$ 155,895
Supplemental information		
Interest paid	\$ 7,779	\$ 2,989
Taxes paid	\$ 70	\$ 90
Six Months Ended		
June 30,		
2024		
2023		
(Unaudited)		
Operating activities		
Net income	\$ 8,612	\$ 8,789
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	2,140	938
Depreciation	1,952	1,700
Stock based compensation	433	354
Gain on sales of other real estate owned	(126)	(36)
Write-downs of other real estate owned, net	—	(69)
Originations of loans held for sale	(4,100)	(1,337)
Proceeds from sales of loans held for sale	4,237	977
Gains from sales of loans held for sale	(141)	(140)
Net accretion of investment securities discounts and premiums- AFS	(48)	(25)
Net accretion of investment securities discounts and premiums- HTM	(317)	(405)
Amortization of intangible assets	165	165
Earnings on bank owned life insurance	(660)	(616)
Amortization of deferred loan (fees)/costs, net	(86)	27
Amortization of operating lease right of use asset	137	164
Decrease/(increase) in accrued interest receivable and other assets	1,326	(4,259)
Deferred tax (benefit)/expense	(81)	1,038
Operating lease liability	(144)	(186)
(Decrease)/increase in accrued interest payable and other liabilities	(2,548)	967
Net cash provided by operating activities	10,751	8,046
Investing activities		
Proceeds from maturities/calls of investment securities - AFS	2,186	3,358
Proceeds from maturities/calls of investment securities - HTM	40,417	5,305
Proceeds from sales of other real estate owned	1,710	172

Net decrease/(increase) in restricted stock	1,855	(3,463)
Net increase in loans	(18,094)	(71,239)
Purchases of premises and equipment	(181)	(284)
Net cash provided by/(used in) by investing activities	27,893	(66,151)
Financing activities		
Net (decrease)/increase in deposits	(13,906)	9,226
Issuance of common stock	144	138
Cash dividends paid on common stock	(2,657)	(2,536)
Net increase/(decrease) in short-term borrowings	17,146	(14,487)
Stock repurchase	(4,032)	—
Proceeds from long-term borrowings	—	80,000
Payments of long-term borrowings	(40,000)	—
Net cash (used in)/provided by financing activities	(43,305)	72,341
(Decrease)/increase in cash and cash equivalents	(4,661)	14,236
Cash and cash equivalents at beginning of the year	49,753	74,315
Cash and cash equivalents at end of period	\$ 45,092	\$ 88,551
Supplemental information		
Interest paid	\$ 15,221	\$ 8,726
Taxes paid	\$ 923	\$ 2,550
Non-cash investing activities:		
Transfers from loans to other real estate owned	\$ 69	\$ 176

See accompanying notes to the consolidated financial statements

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FIRST UNITED CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1 – Basis of Presentation

The financial information is presented in accordance with generally accepted accounting principles and general practice for financial institutions in the United States of America ("GAAP"). First United Corporation has prepared these unaudited condensed consolidated financial statements in accordance with GAAP for interim financial information, rules of the Securities and Exchange Commission that permit reduced disclosure for interim periods, and Article 8 of Regulation S-X. Operating results for the ~~three- month period~~ ~~six- and three-month periods ended March 31, 2024, June 30, 2024~~ are not necessarily indicative of the results that may be expected for the full year or for any future interim period. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in First United Corporation's Annual Report on Form 10-K for the year ended December 31, 2023.

In preparing financial statements, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities as of the date of financial statements. In addition, these estimates and assumptions affect revenues and expenses in the financial statements and, as such, actual results could differ from those estimates.

Certain reclassifications have been made to prior year amounts to conform with current year classifications. These reclassifications did not have a material impact on the Corporation's consolidated financial condition or results of operations.

In the opinion of management, all adjustments (all of which are of a normal recurring nature) that are necessary for a fair statement are reflected in the unaudited condensed consolidated financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of First United Corporation, First United Bank & Trust (the "Bank"), First United Statutory Trust I, First United Statutory Trust II, OakFirst Loan Center, LLC, OakFirst Loan Center, Inc., First OREO Trust and FUBT OREO I, LLC. All significant inter-company accounts and transactions have been eliminated.

As used in these notes, the terms "the Corporation" "we", "us", and "our" refer to First United Corporation and, unless the context clearly requires otherwise, its consolidated subsidiaries.

The Corporation has evaluated events and transactions occurring subsequent to the statement of financial condition date of **March 31, 2024** **June 30, 2024** and through the date these consolidated financial statements were issued, for items of potential recognition or disclosure.

Newly Adopted Pronouncements in 2024

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-04, *"Reference Rate Reform (Topic 848): Facilitation of Reference Rate Reform on Financial Reporting."* The amendments in ASU 2020-04 provide optional guidance for a limited period of time to ease the potential burden in accounting for or recognizing the effects of reference rate reform on financial reporting. The amendments provide optional expedients and exceptions for applying GAAP to loan and lease agreements, derivative contracts, and other transactions affected by the anticipated transition away from the London Interbank Offered Rate ("LIBOR") toward new interest rate benchmarks. Modified contracts that meet certain scope guidance are eligible for relief from these modification accounting requirements in GAAP. The optional guidance generally allows for the modified contract to be accounted for as a continuation of the existing contract and does not require contract remeasurement at the modification date or reassessment of a previous accounting determination. The amendments in ASU 2020-04 are effective for all entities between March 12, 2020 and December 31, 2022. In December 2022, FASB issued ASU No. 2022-06: *"Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848."* The amendments in ASU 2020-06 defer the sunset date for applying the reference rate reform relief by two years to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848.

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The Corporation has identified all known LIBOR exposures, created a plan to address the exposures, and continues to communicate with all stakeholders to transition to alternative reference rates. The Corporation had no financial instruments tied to LIBOR at **March 31, 2024** **June 30, 2024**. The implementation of ASU 2020-04 did not have a material impact on our financial statements.

Note 2 – Accounting Statements Issued but Not Yet Adopted

In November 2023, FASB issued ASU No. 2023-07, *"Segment Reporting (Topic 280): Improvement to Reportable Segment Disclosures."* ASU 2023-07 expands segment disclosure requirements for public entities to require disclosure of significant segment expense and other segment items on an annual and interim basis and to provide in interim periods all disclosures about a reportable segment's profit or loss and assets that are currently required annually. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within the fiscal years beginning after December 15, 2024. Early adoption is permitted. ASU 2023-07 is not expected to have a significant impact on our financial statements.

In December 2023, FASB issued ASU No. 2023-09, *"Income Taxes (Topic 740): Improvements to Income Tax Disclosures."* ASU 2023-09 requires public business entities to disclose in their rate reconciliation table additional categories of information about Federal, state, and foreign income taxes and to provide more details about the reconciling items in some categories if items meet a quantitative threshold. ASU 2023-09 also requires all entities to disclose income taxes paid, net of refunds, disaggregated by Federal, state, and foreign taxes for annual periods and to disaggregate the information by jurisdiction based on a quantitative threshold, among other things. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. ASU 2023-09 is not expected to have a significant impact on our financial statements.

In March 2024, FASB issued ASU No. 2024-01, "Compensation- Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards." ASU 2024-01 provides an illustrative example that includes four fact patterns to demonstrate how an entity should apply the scope guidance in paragraph 718-10-15-3 to determine whether a profits interest award should be accounted for in accordance with Topic 718. ASU 2024-01 is effective for fiscal years beginning after December 15, 2024. ASU 2024-01 is not expected to have a significant impact on our financial statements.

Note 3 – Earnings Per Common Share

Basic earnings per common share is derived by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the period and does not include the effect of any potentially dilutive common stock equivalents. Diluted earnings per share is derived by dividing net income available to common shareholders by the weighted-average number of shares outstanding, adjusted for the dilutive effect of outstanding common stock equivalents, such as restricted stock units ("RSUs"). There were no anti-dilutive shares outstanding at **March 31, 2024** **June 30, 2024** or 2023.

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The following table sets forth the calculation of basic and diluted earnings per common share for the **six- and three-month periods ended March 31, 2024** **June 30, 2024** and 2023:

(in thousands, except for per share amount)	Three months ended March 31,						Six months ended June 30,					
	2024			2023			2024			2023		
	Average	Per Share	Amount	Average	Per Share	Amount	Average	Per Share	Amount	Average	Per Share	Amount
Basic Earnings Per Share:												
Net income	\$ 3,698	6,642	\$ 0.56	\$ 4,375	6,675	\$ 0.66	\$8,612	6,585	\$ 1.31	\$8,789	6,689	\$ 1.32
Diluted Earnings Per Share:												
Restricted stock units			13			22			11			18
Net income	\$ 3,698	6,655	\$ 0.56	\$ 4,375	6,697	\$ 0.65	\$8,612	6,596	\$ 1.31	\$8,789	6,707	\$ 1.31

(in thousands, except for per share amount)	Three months ended June 30,					
	2024			2023		
	Average	Per Share	Amount	Average	Per Share	Amount
Basic Earnings Per Share:						
Net income	\$ 4,914	6,527	\$ 0.75	\$ 4,414	6,704	\$ 0.66
Diluted Earnings Per Share:						

Restricted stock units	10	11				
Net income	\$ 4,914	6,537	\$ 0.75	\$ 4,414	6,718	\$ 0.66

Note 4 – Investments

The following tables show a comparison of amortized cost and fair values of investment securities at June 30, 2024 and December 31, 2023:

(in thousands)	Amortized		Gross		Gross		Allowance for Credit	Estimated Fair		
	Cost	Gains	Unrealized	Losses	Losses	Losses				
June 30, 2024										
Available for Sale:										
U.S. government agencies	\$ 7,000	\$ —	\$ 965	\$ —	\$ 965	\$ —	\$ —	\$ 6,035		
Residential mortgage-backed agencies	23,825	—	4,542	—	4,542	—	—	19,283		
Commercial mortgage-backed agencies	35,901	—	8,593	—	8,593	—	—	27,308		
Collateralized mortgage obligations	18,927	—	3,478	—	3,478	—	—	15,449		
Obligations of states and political subdivisions	10,476	—	309	—	309	—	—	10,167		
Corporate bonds	1,000	—	263	—	263	—	—	737		
Collateralized debt obligations	18,660	—	4,685	—	4,685	—	—	13,975		
Total available for sale	\$ 115,789	\$ —	\$ 22,835	\$ —	\$ 22,835	\$ —	\$ —	\$ 92,954		

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Note 4 – Investments

The following tables show a comparison of amortized cost and fair values of investment securities at March 31, 2024 and December 31, 2023:

(in thousands)	Gross					Gross					Allowance	
	Amortized Cost	Unrealized Gains	Unrealized Losses	for Credit Losses	Estimated Fair Value	Amortized Cost	Unrecognized Gains	Unrecognized Losses	Estimated Fair Value	Allowance for Credit Losses		
March 31, 2024												
Available for Sale:												
U.S. government agencies	\$ 7,000	\$ —	\$ 981	\$ —	\$ 6,019							
Residential mortgage-backed agencies	24,261	—	4,407	—	19,854							
Commercial mortgage-backed agencies	36,082	—	8,166	—	27,916							
Collateralized mortgage obligations	19,320	—	3,431	—	15,889							
Obligations of states and political subdivisions	10,481	14	242	—	10,253							
Corporate bonds	1,000	—	237	—	763							
Collateralized debt obligations	18,651	—	3,765	—	14,886							
Total available for sale	<u>\$ 116,795</u>	<u>\$ 14</u>	<u>\$ 21,229</u>	<u>\$ —</u>	<u>\$ 95,580</u>							
(in thousands)	Gross					Gross					Allowance	
	Amortized Cost	Unrecognized Gains	Unrecognized Losses	Estimated Fair Value	for Credit Losses	Amortized Cost	Unrecognized Gains	Unrecognized Losses	Estimated Fair Value	Allowance for Credit Losses		
March 31, 2024												
June 30, 2024												
Held to Maturity:												
U.S. treasuries	\$ 7,498	\$ —	\$ 14	\$ 7,484	\$ —							
U.S. government agencies	68,085	—	11,443	56,642	—	\$ 68,157	\$ —	\$ 11,374	\$ 56,783	\$ —		
Residential mortgage-backed agencies	29,258	14	3,389	25,883	—	28,841	—	3,517	25,324	—		
Commercial mortgage-backed agencies	21,371	—	5,583	15,788	—	21,223	—	5,715	15,508	—		
Collateralized mortgage obligations	52,364	—	10,016	42,348	—	51,513	—	10,068	41,445	—		
Obligations of states and political subdivisions	4,605	148	673	4,080	45	4,508	143	681	3,970	45		
Total held to maturity	<u>\$ 183,181</u>	<u>\$ 162</u>	<u>\$ 31,118</u>	<u>\$ 152,225</u>	<u>\$ 45</u>	<u>\$ 174,242</u>	<u>\$ 143</u>	<u>\$ 31,355</u>	<u>\$ 143,030</u>	<u>\$ 45</u>		

(in thousands)	Gross					Gross					Allowance for Credit	Estimated Fair Value		
	Amortized Cost	Unrealized Gains	Unrealized Losses	Unrealized Losses	Losses	Amortized Cost	Unrecognized Gains	Unrecognized Losses	Losses	Losses				
December 31, 2023														

Available for Sale:									
U.S. government agencies	\$ 7,000	\$ —	\$ 966	\$ —	\$ 6,034				
Residential mortgage-backed agencies	24,781	—	4,218	—	20,563				
Commercial mortgage-backed agencies	36,258	—	7,841	—	28,417				
Collateralized mortgage obligations	19,725	—	3,369	—	16,356				
Obligations of states and political subdivisions	10,486	15	189	—	10,312				
Corporate bonds	1,000	—	222	—	778				
Collateralized debt obligations	18,671	—	3,962	—	14,709				
Total available for sale	\$ 117,921	\$ 15	\$ 20,767	\$ —	\$ 97,169				

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(in thousands)						Gross	Gross	Allowance	
	Amortized	Unrealized	Unrealized	for Credit	Estimated	Cost	Gains	Losses	Fair Value
December 31, 2023									
Available for Sale:									
U.S. government agencies	\$ 7,000	\$ —	\$ 966	\$ —	\$ 6,034				
Residential mortgage-backed agencies	24,781	—	4,218	—	20,563				
Commercial mortgage-backed agencies	36,258	—	7,841	—	28,417				
Collateralized mortgage obligations	19,725	—	3,369	—	16,356				
Obligations of states and political subdivisions	10,486	15	189	—	10,312				
Corporate bonds	1,000	—	222	—	778				
Collateralized debt obligations	18,671	—	3,962	—	14,709				
Total available for sale	\$ 117,921	\$ 15	\$ 20,767	\$ —	\$ 97,169				

(in thousands)						Gross	Gross	Allowance		
	Amortized	Unrecognized	Unrecognized	Estimated	for Credit	Amortized	Unrecognized	Unrecognized	Estimated	for Credit
	Cost	Gains	Losses	Fair Value	Losses	Cost	Gains	Losses	Fair Value	Losses
December 31, 2023										
Held to Maturity:										
U.S. treasuries	\$ 37,462	\$ —	\$ 243	\$ 37,219	\$ —	\$ 37,462	\$ —	\$ 243	\$ 37,219	\$ —
U.S. government agencies	68,014	—	10,985	57,029	—	68,014	—	10,985	57,029	—
Residential mortgage-backed agencies	29,588	42	2,913	26,717	—	29,588	42	2,913	26,717	—
Commercial mortgage-backed agencies	21,413	—	5,361	16,052	—	21,413	—	5,361	16,052	—

Collateralized mortgage obligations	53,261	—	9,973	43,288	—	53,261	—	9,973	43,288	—
Obligations of states and political subdivisions	4,604	177	671	4,110	45	4,604	177	671	4,110	45
Total held to maturity	<u>\$ 214,342</u>	<u>\$ 219</u>	<u>\$ 30,146</u>	<u>\$ 184,415</u>	<u>\$ 45</u>	<u>\$ 214,342</u>	<u>\$ 219</u>	<u>\$ 30,146</u>	<u>\$ 184,415</u>	<u>\$ 45</u>

The Corporation utilizes FASB Accounting Standards Codification ("ASC") Topic 326 to evaluate its available-for-sale ("AFS") and held-to-maturity ("HTM") debt security portfolio for expected credit losses. For AFS debt securities in an unrealized loss position, the Corporation first assesses whether it intends to sell, or it is more likely than not that it will be required to sell, the security before recovery of its amortized cost basis. If either criteria is met, the security's amortized cost basis is written down to fair value through income. For AFS debt securities that do not meet the aforementioned criteria, the Corporation evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of

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cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses ("ACL") is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an ACL is recognized in other comprehensive income, as a non-credit-related impairment.

Changes in the ACL are recorded as a provision for (or reversal of) credit losses. Losses are charged against the ACL when management believes the uncollectibility of an AFS security is confirmed or when either of the criteria regarding intent or requirement to sell is met. Any impairment not recorded through an allowance for credit loss is recognized in other comprehensive income as a non-credit-related impairment.

The Corporation has made the policy election to exclude accrued interest from the amortized cost basis of available-for-sale debt securities and report accrued interest separately in other assets in the Consolidated Balance Sheets. AFS debt securities are placed on **nonaccrual** **non-accrual** status when we no longer expect to receive all contractual amounts due, which is generally at 90 days past due. Accrued interest receivable is reversed against interest income when a security is placed on **nonaccrual** **non-accrual** status. Accordingly, we do not recognize an allowance for credit loss against accrued interest receivable.

The Corporation separately evaluates its HTM investment securities for any credit losses. The Corporation pools like securities and calculates expected credit losses through an estimate based on a security's credit rating, which is recognized as part of the ACL for HTM securities and is included in the balance of HTM securities held to maturity on the Consolidated Balance Sheets. If the Corporation determines that a security indicates evidence of deteriorated credit quality, the security is individually evaluated and a discounted cash flow analysis is performed and compared to the amortized cost basis.

The Corporation recorded ACL of approximately \$45,000 as of **March 31, 2024** **June 30, 2024** and December 31, 2023, related to one bond in its HTM security portfolio.

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The following table shows the Corporation's investment securities with gross unrealized and unrecognized losses and fair values at March 31, 2024, June 30, 2024 and December 31, 2023, aggregated by investment category and the length of time that individual securities have been in a continuous unrealized loss position:

(in thousands)	Less than 12 months						12 months or more						Less than 12 months						12 months or more					
	Fair Value		Unrealized Losses		Number of Investments		Fair Value		Unrealized Losses		Number of Investments		Fair Value		Unrealized Losses		Number of Investments		Fair Value		Unrealized Losses		Number of Investments	
	March 31, 2024	June 30, 2024	Available for Sale:	U.S. government agencies	Residential mortgage-backed agencies	Commercial mortgage-backed agencies	Collateralized mortgage obligations	Obligations of states and political subdivisions	Corporate Bonds	Collateralized debt obligations	Total available for sale	U.S. treasuries	U.S. government agencies	Residential mortgage-backed agencies	Corporate Bonds	Collateralized debt obligations	Total held to maturity	U.S. treasuries	U.S. government agencies	Residential mortgage-backed agencies	Corporate Bonds	Collateralized debt obligations	Total held to maturity	
March 31, 2024																								
June 30, 2024																								
Available for Sale:																								
U.S. government agencies	\$ —	—	—	—	6,019	981	2	\$ —	\$ —	—	—	\$ 6,035	\$ 965	2										
Residential mortgage-backed agencies	—	—	—	—	19,854	4,407	3	—	—	—	—	19,283	4,542	3										
Commercial mortgage-backed agencies	—	—	—	—	27,916	8,166	8	—	—	—	—	27,308	8,593	8										
Collateralized mortgage obligations	—	—	—	—	15,889	3,431	9	—	—	—	—	15,449	3,478	9										
Obligations of states and political subdivisions	882	13	2	7,118	229	4	2,205	30	3	5,041	279	4												
Corporate Bonds	—	—	—	763	237	1	—	—	—	737	263	1												
Collateralized debt obligations	—	—	—	14,886	3,765	9	—	—	—	13,975	4,685	9												
Total available for sale	\$ 882	\$ 13	2	\$ 92,445	\$ 21,216	36	\$ 2,205	\$ 30	3	\$ 87,828	\$ 22,805	36												
March 31, 2024																								
June 30, 2024																								
Held to Maturity:																								
U.S. treasuries	\$ —	—	—	—	7,484	14	1																	
U.S. government agencies	—	—	—	—	56,642	11,443	9	\$ —	\$ —	—	—	\$ 56,783	\$ 11,374	9										
Residential mortgage-backed agencies	1,420	6	1	21,829	3,383	35	3,923	15	2	21,320	3,502	35												

Commercial mortgage-backed agencies	—	—	—	15,788	5,583	2	—	—	—	15,508	5,715	2
Collateralized mortgage obligations	—	—	—	42,348	10,016	8	—	—	—	41,445	10,068	8
Obligations of states and political subdivisions	—	—	—	2,204	673	1	—	—	—	2,198	681	1
Total held to maturity	\$ 1,420	\$ 6	1	\$ 146,295	\$ 31,112	56	\$ 3,923	\$ 15	2	\$ 137,254	\$ 31,340	55

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(in thousands)	Less than 12 months			12 months or more		
	Fair Value	Unrealized Losses	Number of Investments	Fair Value	Unrealized Losses	Number of Investments
December 31, 2023						
Available for Sale:						
U.S. government agencies	\$ —	\$ —	—	\$ 6,034	\$ 966	2
Residential mortgage-backed agencies	—	—	—	20,563	4,218	3
Commercial mortgage-backed agencies	—	—	—	28,417	7,841	8
Collateralized mortgage obligations	—	—	—	16,356	3,369	9
Obligations of states and political subdivisions	1,445	20	2	6,668	169	3
Corporate Bonds	—	—	—	778	222	1
Collateralized debt obligations	—	—	—	14,709	3,962	9
Total available for sale	\$ 1,445	\$ 20	2	\$ 93,525	\$ 20,747	35

(in thousands)	Less than 12 months			12 months or more		
	Fair Value	Unrecognized Losses	Number of Investments	Fair Value	Unrecognized Losses	Number of Investments
December 31, 2023						
Held to Maturity:						
U.S. treasuries	\$ —	\$ —	—	\$ 37,219	\$ 243	4
U.S. government agencies	—	—	—	57,029	10,985	9
Residential mortgage-backed agencies	—	—	—	22,613	2,913	35
Commercial mortgage-backed agencies	—	—	—	16,052	5,361	2
Collateralized mortgage obligations	—	—	—	43,288	9,973	8
Obligations of states and political subdivisions	—	—	—	2,205	671	1
Total held to maturity	\$ —	\$ —	—	\$ 178,406	\$ 30,146	59

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The amortized cost and estimated fair value of securities by contractual maturity at **March 31, 2024** **June 30, 2024** are shown in the following table. Actual maturities may differ from contractual maturities because the issuers of the securities may have the right to call or prepay obligations with or without call or prepayment penalties.

(in thousands)	March 31, 2024		June 30, 2024	
	Amortized Cost		Fair Value	
	Cost	Fair Value	Cost	Fair Value
Available for Sale:				
Due in one year or less	\$ 2,670	\$ 2,651	\$ 2,670	\$ 2,670
Due after one year through five years	5,250	4,943	5,250	4,955
Due after five years through ten years	4,678	4,410	4,670	4,313
Due after ten years	24,534	19,917	24,546	18,976
	37,132	31,921	37,136	30,914
Residential mortgage-backed agencies	24,261	19,854	23,825	19,283
Commercial mortgage-backed agencies	36,082	27,916	35,901	27,308
Collateralized mortgage obligations	19,320	15,889	18,927	15,449
Total available for sale	\$ 116,795	\$ 95,580	\$ 115,789	\$ 92,954
Held to Maturity:				
Due in one year or less	\$ 7,498	\$ 7,485		
Due after one year through five years	12,500	11,759	\$ 12,500	\$ 11,794
Due after five years through ten years	40,503	34,161	40,451	34,116
Due after ten years	19,687	14,801	19,714	14,843
	80,188	68,206	72,665	60,753
Residential mortgage-backed agencies	29,258	25,883	28,841	25,324
Commercial mortgage-backed agencies	21,371	15,788	21,223	15,508
Collateralized mortgage obligations	52,364	42,348	51,513	41,445
Total held to maturity	\$ 183,181	\$ 152,225	\$ 174,242	\$ 143,030

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Note 5 – Loans and Related Allowance for Credit Losses

The following table summarizes the primary segments of the loan portfolio at **March 31, 2024** **June 30, 2024** and December 31, 2023:

(in thousands)	Acquisition and Commercial Residential						Acquisition and Commercial Residential					
	Commercial Real Estate	Development	Industrial	Mortgage	Consumer	Total	Commercial Real Estate	Development	Industrial	Mortgage	Consumer	Total
March 31, 2024												
June 30, 2024												
Individually evaluated for impairment	\$ 819	\$ —	\$ 12,085	\$ 1,971	\$ —	\$ 14,875	\$ 599	\$ —	\$ 6,175	\$ 1,995	\$ —	\$ 8,190
Collectively evaluated for impairment	492,000	83,424	262,637	500,019	59,372	1,397,452	500,417	88,214	259,496	509,114	55,372	1,397,452
Total loans	\$492,819	\$ 83,424	\$274,722	\$501,990	\$59,372	\$1,412,327	\$501,016	\$ 88,214	\$265,671	\$511,109	\$55,372	\$1,412,327
December 31, 2023												
Individually evaluated for impairment	\$ 826	\$ —	\$ —	\$ 2,137	\$ —	\$ 2,963	\$ 826	\$ —	\$ —	\$ 2,137	\$ —	\$ 826
Collectively evaluated for impairment	492,877	77,060	274,604	497,734	61,429	1,403,704	492,877	77,060	274,604	497,734	61,429	1,403,704
Total loans	\$493,703	\$ 77,060	\$274,604	\$499,871	\$61,429	\$1,406,667	\$493,703	\$ 77,060	\$274,604	\$499,871	\$61,429	\$1,406,667

The following table presents the classes of the loan portfolio summarized by the aging categories of performing loans and non-accrual loans at **March 31, 2024** **June 30, 2024** and December 31, 2023:

(in thousands)	30- 60- Total Past						30- 60- Total Past							
	59 Days Current	89 Days Past Due	90 Days+ Past Due	Due and Accruing	Non-Accrual	Total Loans	Current	59 Days Past Due	89 Days Past Due	90 Days+ Past Due	Due and Accruing	Non-Accrual	Total Loans	
March 31, 2024														
June 30, 2024														
Commercial real estate:														
Non-owner-occupied	\$ 293,109	\$ 1,387	\$ —	\$ —	\$ 1,387	\$ 219	\$ 294,715	\$ 295,647	\$ —	\$ —	\$ —	\$ 295,647		
All other CRE	197,505	—	—	—	—	599	198,104	204,520	165	85	—	250	599	205,364
Acquisition and development:														
1-4 family residential construction	18,781	—	—	—	—	—	18,781	17,489	—	—	—	—	—	17,489
All other A&D	64,538	—	—	—	—	105	64,643	70,628	—	—	—	—	97	70,628
Commercial and industrial	262,061	559	9	—	568	12,093	274,722	259,155	191	139	1	331	6,185	265,341
Residential mortgage:														
Residential mortgage - term	436,673	1,845	—	61	1,906	2,528	441,107	444,814	44	1,028	484	1,556	2,339	448,339
Residential mortgage - home equity	60,013	310	210	15	535	335	60,883	61,740	436	81	14	531	129	62,269

Consumer	58,037	840	323	44	1,207	128	59,372	55,890	581	378	27	986	89	56
Total	\$1,390,717	\$4,941	\$ 542	\$ 120	\$ 5,603	\$16,007	\$1,412,327	\$1,409,883	\$1,417	\$1,711	\$ 526	\$ 3,654	\$9,438	\$1,422
December 31, 2023														
Commercial real estate:														
Non-owner-occupied	\$ 296,343	\$ —	\$ —	\$ —	\$ —	\$ 227	\$ 296,570	\$ 296,343	\$ —	\$ —	\$ —	\$ —	\$ 227	\$ 296,
All other CRE	196,123	411	—	—	411	599	197,133	196,123	411	—	—	411	599	197,
Acquisition and development:														
1-4 family residential construction	18,224	—	—	—	—	—	18,224	18,224	—	—	—	—	—	18,
All other A&D	58,723	—	—	—	—	113	58,836	58,723	—	—	—	—	113	58,
Commercial and industrial	274,465	120	19	—	139	—	274,604	274,465	120	19	—	139	—	274,
Residential mortgage:														
Residential mortgage - term	433,878	130	717	384	1,231	2,720	437,829	433,878	130	717	384	1,231	2,720	437,
Residential mortgage - home equity	61,021	520	158	75	753	268	62,042	61,021	520	158	75	753	268	62,
Consumer	60,576	463	277	84	824	29	61,429	60,576	463	277	84	824	29	61,
Total	\$1,399,353	\$1,644	\$1,171	\$ 543	\$ 3,358	\$ 3,956	\$1,406,667	\$1,399,353	\$1,644	\$1,171	\$ 543	\$ 3,358	\$ 3,956	\$1,406,

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Non-accrual loans that have been subject to partial charge-offs totaled \$1.1 million at June 30, 2024 and \$0.1 million at both March 31, 2024 and December 31, 2023. Loans secured by 1-4 family residential real estate properties in the process of foreclosure totaled \$1.5 million at June 30, 2024 and \$1.8 million at both March 31, 2024 and December 31, 2023. As a percentage of the loan portfolio, accruing loans past due 30 days or more was 0.40% 0.26% at March 31, 2024 June 30, 2024 compared to 0.24% at December 31, 2023 and 0.17% at March 31, 2023 0.18% as of June 30, 2023.

The Corporation maintains an ACL at a level that management believes will be adequate to absorb expected credit losses associated with the Corporation's financial instruments over the life of those instruments as of the balance sheet date. The Corporation develops and documents a systematic ACL methodology based on the following portfolio segments: (i) commercial real estate, estate; (ii) acquisition and development, development; (iii) commercial and industrial, industrial; (iv) residential mortgage, mortgage; and (v) consumer. The Corporation's loan portfolio is segmented by homogeneous loan types that behave similarly to economic cycles. The following is a discussion of the key risks by portfolio segment that management assesses in preparing the ACL.

Commercial Real Estate-real estate loans are secured by commercial purpose real estate, including both owner occupied properties and properties obtained for investment purposes, such as hotels, strip malls and apartments. Operations of the individual projects as well as global cash flows

of the debtors are the primary source of repayment of these loans. The condition of the local economy is an important indicator of risk, but there are more specific risks depending on the collateral type as well as the business.

Acquisition and **Development** loans include both commercial and consumer. Commercial loans are made to finance construction of buildings or other structures, as well as to finance the acquisition and development of raw land for various purposes. While the risk of these loans is generally confined to the construction period, if there are problems, the project may not be completed, and as such, may not provide sufficient cash flow on its own to service the debt or have sufficient value in a liquidation to cover the outstanding principal. The condition of the local economy is an important indicator of risk, but there are also more specific risks depending on the type of project and the experience and resources of the developer. Consumer loans are made for the construction of residential homes for which a binding sales contract exists and generally are for a period of time sufficient to complete construction. Residential construction loans to individuals generally provide for the payment of interest only during the construction phase. Credit risk for residential real estate construction loans can arise from construction delays, cost overruns, failure of the contractor to complete the project to specifications and economic conditions that could impact demand for supply of the property being constructed.

Commercial and **Industrial** loans are made to operating companies or manufacturers for the purpose of production, operating capacity, accounts receivable, inventory or equipment financing. Cash flow from the operations of the borrower is the primary source of repayment for these loans. The condition of the local economy is an important indicator of risk, but there are also more specific risks depending on the industry of the borrower. Collateral for these types of loans often do not have sufficient value in a distressed or liquidation scenario to satisfy the outstanding debt. These loans are also made to local municipalities for various purposes including refinancing existing obligations, infrastructure up-fit and expansion, or to purchase new equipment. The primary repayment source for local municipalities include the tax base of the municipality, specific revenue streams related to the infrastructure financed, and other business operations of the municipal authority. The health and stability of state and local economies directly impacts each municipality's tax basis and are important indicators of risk for this segment. The ability of each municipality to increase taxes and fees to offset service requirements give this type of loan a very low risk profile in the continuum of the Corporation's loan portfolio.

Residential **mortgage** loans are secured by first and **second** liens such as home equity lines of credit and 1-4 family residential mortgages. The primary source of repayment for these loans is the income of the borrower. The condition of the local economy, in particular the unemployment rate, is an important indicator of risk for this segment. The state of the local housing market can also have a significant impact on this segment because low demand and/or declining home values can limit the ability of borrowers to sell a property and satisfy debt.

Consumer loans are made to individuals and may be either secured by assets other than 1-4 family residences or unsecured. This segment includes automobile loans and unsecured loans and lines of credit. The primary source of repayment for these loans is the income and assets of the borrower. The condition of the local economy, in particular the unemployment rate, is an important

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indicator of risk for this segment. The value of the collateral, if there is any, is less likely to be a source of repayment due to less certain collateral values.

The following table summarizes the primary segments of the ACL at **March 31, 2024** June 30, 2024 and December 31, 2023, segregated by the amount required for loans individually evaluated for impairment and the amount required for loans collectively evaluated for impairment:

(in thousands)	Acquisition and Commercial Residential						Acquisition and Commercial Residential					
	Commercial Real Estate	Development	Industrial	Mortgage	Consumer	Total	Commercial Real Estate	Development	Industrial	Mortgage	Consumer	Total
March 31, 2024												
June 30, 2024												
Individually evaluated for impairment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Collectively evaluated for impairment	4,962	1,014	4,002	7,017	987	17,982	4,852	992	3,964	7,162	953	17,923
Total ACL	\$ 4,962	\$ 1,014	\$ 4,002	\$ 7,017	\$ 987	\$17,982	\$ 4,852	\$ 992	\$ 3,964	\$ 7,162	\$ 953	\$17,923
December 31, 2023												
Individually evaluated for impairment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Collectively evaluated for impairment	5,120	940	3,717	6,774	929	17,480	5,120	940	3,717	6,774	929	17,480
Total ACL	\$ 5,120	\$ 940	\$ 3,717	\$ 6,774	\$ 929	\$17,480	\$ 5,120	\$ 940	\$ 3,717	\$ 6,774	\$ 929	\$17,480

Changes in the fair value of the types of collateral for individually evaluated loans are reported as provision for credit loss in the period of change. The evaluation of the need and amount of a specific allocation of the ACL and whether a loan can be removed from impairment status is made on a quarterly basis.

The following table presents the amortized cost basis of collateral-dependent individually evaluated loans as of **March 31, 2024** **June 30, 2024** and December 31, 2023.

(in thousands)	March 31, 2024			June 30, 2024		
	Non-Accrual Loans			Non-Accrual Loans with No Allowance		
	Real Estate	Other Collateral	with No Allowance	Real Estate	Other Collateral	Allowance
Commercial real estate	\$ 819	\$ —	\$ 819	\$ 599	\$ —	\$ 599
Commercial and industrial	—	12,085	12,085	—	6,175	6,175
Residential mortgage	1,971	—	1,971	1,995	—	1,995
Total Loans	\$ 2,790	\$ 12,085	\$ 14,875	\$ 2,594	\$ 6,175	\$ 8,769

(in thousands)	December 31, 2023			December 31, 2023		
	Non-Accrual Loans			Non-Accrual Loans with No Allowance		
	Real Estate	Other Collateral	with No Allowance	Real Estate	Other Collateral	Allowance
Commercial real estate	\$ 826	\$ —	\$ 826	\$ 826	\$ —	\$ 826
Residential mortgage	2,137	—	2,137	2,137	—	2,137
Total Loans	\$ 2,963	\$ —	\$ 2,963	\$ 2,963	\$ —	\$ 2,963

Effective January 1, 2023, the Corporation adopted the accounting guidance in ASU 2022-02, which eliminates the recognition and measurement of a troubled debt restructuring ("TDR"). Due to the removal of the TDR designation, the Corporation evaluates loan restructurings according to the accounting guidance for loan modifications to determine if the restructuring results in a new loan or a continuation of the existing loan. Loan modifications to borrowers experiencing financial difficulty that result in a direct change in the timing or amount of contracted cash flows include situations where there is principal forgiveness, interest rate reductions, other-than-insignificant payment delays, term extensions, and combinations of the listed modifications. Therefore, the disclosures related to loan restructurings are only for modifications that directly affect cash flows.

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A loan that is considered a modified loan may be subject to the individually evaluated loan analysis if the commitment is \$0.1 million or greater; otherwise, the modified loan remains in the appropriate segment of the ACL model and associated reserves are adjusted based on changes in the discounted cash flows resulting from the modification of the modified loan. For a discussion with respect to reserve calculations regarding individually evaluated loans, refer to the "Nonrecurring Basis" section of Note 6, Fair Value Measurements. As of March 31, 2024 and 2023, there were no modified loans that were classified as individually evaluated loans.

The following tables present the activity in the ACL for the six- and three-month periods ended **March 31, 2024** **June 30, 2024** and 2023:

Three months ended (in thousands)	Acquisition		Commercial			Total
	Real Estate	Development	Industrial	Mortgage	Consumer	
Six months ended (in thousands)						
Beginning balance at January 1, 2024	\$ 5,120	\$ 940	\$ 3,717	\$ 6,774	\$ 929	\$ 17,480
Loan charge-offs	—	—	(112)	—	(506)	(618)
Recoveries collected	37	3	31	18	70	159
Credit loss (credit)/expense	(195)	71	366	225	494	961
ACL balance at March 31, 2024	\$ 4,962	\$ 1,014	\$ 4,002	\$ 7,017	\$ 987	\$ 17,982
ACL balance at June 30, 2024	\$ 4,852	\$ 992	\$ 3,964	\$ 7,162	\$ 9	
Beginning balance at January 1, 2023 prior to adoption of ASC 326	\$ 6,345	\$ 979	\$ 2,845	\$ 3,160	\$ 877	\$ 430
Impact of adopting ASC 326	(1,143)	(15)	1,334	2,112	208	(430)
Loan charge-offs	—	—	—	(6)	(333)	—
Recoveries collected	5	5	4	18	62	94
Credit loss (credit)/expense	(345)	134	(428)	1,040	13	414
ACL balance at March 31, 2023	\$ 4,862	\$ 1,103	\$ 3,755	\$ 6,324	\$ 827	\$ 16,871
ACL balance at June 30, 2023	\$ 4,946	\$ 1,134	\$ 3,549	\$ 6,417	\$ 8	
Three months ended (in thousands)	Acquisition		Commercial			Total
	Commercial	and	Industrial	Mortgage	Consumer	
ACL balance at April 1, 2024	\$ 4,962	\$ 1,014	\$ 4,002	\$ 7,017	\$ 987	\$ 17,982
Loan charge-offs	—	—	(1,118)	(45)	(318)	(1,481)

Recoveries collected	—	3	3	9	157	—	172
Credit loss (credit)/expense	(110)	(25)	1,078	181	127	—	1,251
ACL balance at June 30, 2024	\$ 4,852	\$ 992	\$ 3,964	\$ 7,162	\$ 953	\$ —	\$ 17,923
ACL balance at April 1, 2023	\$ 4,862	\$ 1,103	\$ 3,755	\$ 6,324	\$ 827	\$ —	\$ 16,871
Loan Charge-offs	(87)	—	(166)	(18)	(185)	—	(456)
Recoveries collected	—	2	5	18	31	—	56
Credit loss expense/(credit)	171	29	(45)	93	186	—	434
ACL balance at June 30, 2023	\$ 4,946	\$ 1,134	\$ 3,549	\$ 6,417	\$ 859	\$ —	\$ 16,905

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The Corporation's methodology for estimating the ACL includes:

Segmentation. The Corporation's loan portfolio is segmented by homogeneous loan types that behave similarly to economic cycles.

Specific Analysis. A specific reserve analysis is applied to certain individually evaluated loans. These loans are evaluated quarterly generally based on collateral value, observable market value or the present value of expected future cash flows. A specific reserve is established if the fair value is less than the loan balance. A charge-off is recognized when the loss is quantifiable. Individually evaluated loans not specifically analyzed reside in the Quantitative Analysis.

Quantitative Analysis. The Corporation elected to use discounted cash flows. Economic forecasts include but are not limited to unemployment, the Consumer Price Index, the Housing Affordability Index, and Gross State Product. These forecasts are assumed to revert to the long term average and are utilized in the model to estimate the probability of default and the loss given default is the estimated loss rate, which varies over time. The estimated loss rate is applied within the appropriate periods in the cash flow model to determine the net present value. Net present value is also impacted by assumption related to the duration between default and recovery. The reserve is based on the difference between the summation of the principal balances taking amortized costs into consideration and the summation of the net present values.

Qualitative Analysis. Based on management's review and analysis of internal, external and model risks, management may adjust the model output. Management reviews the peaks and troughs of the model's calibrations, taking into account economic forecasts to develop guardrails that serve as the basis for determining the reasonableness of the model's output and makes adjustments as necessary. This process challenges unexpected variability resulting from outputs beyond the model's calibrations that appear to be unreasonable. Management also enhances the calculation through the use of Moody's economic forecast data in its calculation. Additionally, management may adjust the economic forecast if it is incompatible with known market conditions based on management's experience and perspective.

The ACL is based on estimates, and actual losses may vary from current estimates. Management believes that the granularity of the homogeneous pools and the related historical loss ratios and other qualitative factors, as well as the consistency in the application of assumptions, result in an ACL that is representative of the risk found in the components of the portfolio at any given date.

Credit Quality Indicators:

The Corporation's portfolio grading analysis estimates the capability of the borrower to repay the contractual obligations of the loan agreements as scheduled or at all. The Corporation's internal credit risk grading system is based on debt service coverage, collateral values and other subjective factors. Mortgage and consumer loans are defaulted to pass grade until a loan migrates to past due status.

The Corporation has a loan review policy and annual scope report that details the level of loan review for loans in a given year. The annual loan review provides the Credit Risk Committee with an independent analysis of the following: (i) credit quality of the loan portfolio; (ii) compliance with loan policy; (iii) adequacy of documentation in credit files; and (iv) validity of risk ratings.

The Corporation's internally assigned grades are as follows:

Pass- The Corporation uses six grades of pass, including its watch rating. Generally, a pass rating indicates that the loan is currently performing and is of high quality.

Special Mention- Assets with potential weaknesses that warrant management's close attention and if left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date.

Substandard- Assets that are inadequately protected by the current sound worth and paying capacity of the obligor or by the collateral pledged, if any. Assets so classified have a well-defined weakness, or weaknesses that jeopardize the liquidation of

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the debt. Such assets are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful- Assets with all weaknesses inherent in one classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions, and values, highly questionable and improbable.

Loss- Assets considered of such little value that its continuance on the books is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical to defer writing off this basically worthless asset even though partial recovery may be affected in the future.

The ability of borrowers to repay commercial loans is dependent upon the success of their business and general economic conditions. Due to the greater potential for loss within our commercial portfolio, we monitor the commercial loan portfolio through an internal risk rating system. Loan risk ratings are assigned based upon the creditworthiness of the borrower and are reviewed on an ongoing basis according to our internal policies. Loans rated special mention or substandard have potential or well-defined weaknesses not generally found in high quality, performing loans, and require attention from management to limit loss.

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The following table presents loan balances by year of origination and internally assigned risk rating for our portfolio segments as of dates presented:

(in thousands)	2019 and Prior							2019 and Prior							Total		
	2024	2023	2022	2021	2020	Prior	Revolving	Loans	2024	2023	2022	2021	2020	Prior	Revolving	Loans	
March 31, 2024																	
June 30, 2024																	
Commercial real estate:																	
Non-owner-occupied																	
Pass	\$ 1,709	\$ 23,394	\$ 66,664	\$ 29,960	\$ 53,161	\$ 106,806	\$ 1,076	\$ 282,770	\$ 5,866	\$ 23,850	\$ 66,716	\$ 29,620	\$ 52,809	\$ 111,451	\$ 1,874	\$ 292,186	

Special																
Mention	—	—	—	—	744	—	—	744	—	—	—	—	732	—	—	732
Substandard	—	—	—	—	—	11,201	—	11,201	—	—	—	—	2,729	—	—	2,729
Total non-owner occupied	1,709	23,394	66,664	29,960	53,905	118,007	1,076	294,715	5,866	23,850	66,716	29,620	53,541	114,180	1,874	295,647
Current period gross charge-offs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
All other CRE																
Pass	710	29,970	31,545	26,411	20,165	81,304	4,206	194,311	10,726	31,357	30,646	24,536	20,152	77,244	5,297	199,958
Special																
Mention	—	—	—	—	567	—	—	567	—	—	—	1,434	204	—	—	1,638
Substandard	—	—	—	—	—	2,626	600	3,226	—	—	—	—	—	3,491	282	3,773
Total all other CRE	710	29,970	31,545	26,411	20,732	83,930	4,806	198,104	10,726	31,357	30,646	25,970	20,356	80,735	5,579	205,369
Current period gross charge-offs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Acquisition and development:																
1-4 family residential construction																
Pass	129	16,488	337	—	—	—	1,827	18,781	1,325	13,866	—	—	—	—	2,298	17,489
Special																
Mention	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total acquisition and development	129	16,488	337	—	—	—	1,827	18,781	1,325	13,866	—	—	—	—	2,298	17,489
Current period gross charge-offs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
All other A&D																
Pass	3,553	20,963	18,794	1,949	3,022	11,860	4,397	64,538	7,622	24,112	19,888	1,917	2,281	10,557	4,251	70,628
Special																
Mention	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	105	—	105	—	—	—	—	97	—	97
Total all other A&D	3,553	20,963	18,794	1,949	3,022	11,965	4,397	64,643	7,622	24,112	19,888	1,917	2,281	10,654	4,251	70,725
Current period gross charge-offs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Commercial and industrial:																
Pass	9,089	45,722	63,811	22,485	8,883	17,848	78,843	246,681	16,310	40,278	59,753	20,774	8,092	16,183	82,938	244,328
Special																
Mention	—	536	—	—	2,047	—	3,815	6,398	—	—	—	—	1,979	—	3,847	5,826
Substandard	—	—	9,338	1,799	6,696	862	2,948	21,643	—	—	4,079	1,142	6,584	765	2,947	15,517

Total commercial and industrial	9,089	46,258	73,149	24,284	17,626	18,710	85,606	274,722	16,310	40,278	63,832	21,916	16,655	16,948	89,732	265,671
Current period gross charge-offs	—	—	56	—	41	15	—	112	465	—	57	651	41	16	—	1,230
Residential mortgage: Residential mortgage term																
Pass	6,398	52,650	97,246	86,175	37,658	152,285	2,118	434,530	16,831	57,219	97,006	84,619	37,150	146,885	2,186	441,896
Special Mention	—	—	—	—	—	—	—	—	—	—	—	40	—	—	—	40
Substandard	—	—	—	925	15	5,581	56	6,577	—	—	—	1,067	15	5,636	55	6,773
Total residential mortgage term	6,398	52,650	97,246	87,100	37,673	157,866	2,174	441,107	16,831	57,219	97,006	85,726	37,165	152,521	2,241	448,709
Current period gross charge-offs	—	—	—	—	—	—	—	—	—	—	—	—	30	—	—	30
Residential mortgage home equity																
Pass	—	965	4,447	843	460	694	52,732	60,141	30	940	4,243	818	444	669	54,643	61,787
Special Mention	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Substandard	—	—	74	—	37	15	616	742	—	—	—	—	36	14	563	613
Total residential mortgage home equity	—	965	4,521	843	497	709	53,348	60,883	30	940	4,243	818	480	683	55,206	62,400
Current period gross charge-offs	—	—	—	—	—	—	—	—	—	—	15	—	—	—	—	15
Consumer:																
Pass	3,030	16,279	9,519	5,470	1,879	20,149	2,808	59,134	5,990	14,615	8,324	4,804	1,592	18,632	2,791	56,748
Special Mention	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Substandard	—	61	26	119	21	5	6	238	—	72	17	103	20	5	—	217
Total consumer	3,030	16,340	9,545	5,589	1,900	20,154	2,814	59,372	5,990	14,687	8,341	4,907	1,612	18,637	2,791	56,965
Current period gross charge-offs	50	371	51	11	1	22	—	506	96	174	60	15	11	468	—	824
Total Portfolio Loans																
Pass	24,618	206,431	292,363	173,293	125,228	390,946	148,007	1,360,886	64,700	206,237	286,576	167,088	122,520	381,621	156,278	1,385,020
Special Mention	—	536	—	—	3,358	—	3,815	7,709	—	—	—	1,474	2,915	—	3,847	8,236
Substandard	—	61	9,438	2,843	6,769	20,395	4,226	43,732	—	72	4,096	2,312	6,655	12,737	3,847	29,719

Total																
Portfolio																
Loans	\$24,618	\$207,028	\$301,801	\$176,136	\$135,355	\$411,341	\$156,048	\$1,412,327	\$64,700	\$206,309	\$290,672	\$170,874	\$132,090	\$394,358	\$163,972	\$1,422,975
Current YTD	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Period:	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Current	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
period gross	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
charge-offs	\$ 50	\$ 371	\$ 107	\$ 11	\$ 42	\$ 37	\$ —	\$ 618	\$ 561	\$ 174	\$ 132	\$ 666	\$ 52	\$ 514	\$ —	\$ 2,099

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(in thousands)	2023	2022	2021	2020	2019	2018 and Prior	Revolving	Total Portfolio	Loans
December 31, 2023									
Commercial real estate:									
Non-owner-occupied									
Pass	\$ 23,511	\$ 65,878	\$ 30,332	\$ 54,270	\$ 40,575	\$ 80,866	\$ 1,138	\$ 280,838	
Special Mention	—	—	—	—	—	4,331	—	—	4,331
Substandard	—	—	—	—	—	11,401	—	—	11,401
Total non-owner occupied	23,511	65,878	30,332	54,270	40,575	80,866	1,138	296,570	
Current period gross charge-offs	—	—	—	—	—	87	—	—	87
All other CRE									
Pass	30,130	27,379	27,042	20,691	22,879	60,054	4,495	192,670	
Special Mention	—	—	—	644	—	—	—	—	644
Substandard	—	—	—	—	1,847	1,372	600	—	3,819
Total all other CRE	30,130	27,379	27,042	21,335	24,726	61,426	5,095	197,133	
Current period gross charge-offs	—	—	—	—	—	—	—	—	—
Acquisition and development:									
1-4 family residential construction									
Pass	13,745	3,446	—	—	—	—	1,033	18,224	
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total acquisition and development	13,745	3,446	—	—	—	—	1,033	18,224	
Current period gross charge-offs	—	—	—	—	—	—	—	—	—
All other A&D									
Pass	12,184	25,099	2,966	3,046	1,301	9,946	4,181	58,723	
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	113	—	—	113
Total all other A&D	12,184	25,099	2,966	3,046	1,301	10,059	4,181	58,836	
Current period gross charge-offs	—	—	—	—	—	—	—	—	—
Commercial and industrial:									
Pass	52,004	66,559	24,387	11,753	8,872	10,052	78,992	252,619	

Special Mention	558	—	—	—	—	—	—	—	—	558
Substandard	—	9,352	1,854	6,806	98	837	2,480	21,427		
Total commercial and industrial	52,562	75,911	26,241	18,559	8,970	10,889	81,472	274,604		
Current period gross charge-offs	100	103	35	166	—	19	—	—	423	
Residential mortgage:										
Residential mortgage - term										
Pass	51,625	94,723	88,835	38,228	25,375	130,402	1,577	430,765		
Special Mention	—	—	—	—	—	—	—	—	—	
Substandard	—	138	929	17	98	5,825	57	7,064		
Total residential mortgage - term	51,625	94,861	89,764	38,245	25,473	136,227	1,634	437,829		
Current period gross charge-offs	—	—	—	—	—	13	—	—	13	
Residential mortgage - home equity										
Pass	1,127	4,657	864	475	286	489	53,467	61,365		
Special Mention	—	—	—	—	—	—	—	—	—	
Substandard	—	—	—	38	—	16	623	677		
Total residential mortgage - home equity	1,127	4,657	864	513	286	505	54,090	62,042		
Current period gross charge-offs	—	—	—	—	—	42	—	—	42	
Consumer:										
Pass	18,299	10,616	6,361	2,206	510	20,365	2,873	61,230		
Special Mention	—	—	—	—	—	—	—	—	—	
Substandard	14	35	113	23	6	2	6	199		
Total consumer	18,313	10,651	6,474	2,229	516	20,367	2,879	61,429		
Current period gross charge-offs	236	223	74	8	4	329	—	874		
Total Portfolio Loans										
Pass	202,625	298,357	180,787	130,669	99,798	296,442	147,756	1,356,434		
Special Mention	558	—	—	644	—	4,331	—	5,533		
Substandard	14	9,525	2,896	6,884	2,049	19,566	3,766	44,700		
Total Portfolio Loans	\$ 203,197	\$ 307,882	\$ 183,683	\$ 138,197	\$ 101,847	\$ 320,339	\$ 151,522	\$ 1,406,667		
Current YTD Period:										
Current period gross charge-offs	\$ 336	\$ 326	\$ 109	\$ 174	\$ 4	\$ 490	\$ —	\$ 1,439		

Management further monitors the performance and credit quality of the loan portfolio by analyzing the age of the portfolio as determined by the length of time a recorded payment is past.

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The following tables present loan balances by year of origination segregated by performing and non-performing loans for the periods presented:

(in thousands)	2024	2023	2022	2021	2020	2019 and		Total Portfolio Loans	201				
						Prior	Revolving		2024	2023	2022	2021	2020
March 31, 2024													
June 30, 2024													

Commercial real estate:															
Non-owner-occupied															
Performing	\$ 1,709	\$ 23,394	\$ 66,664	\$ 29,960	\$ 53,905	\$ 117,788	\$ 1,076	\$ 294,496	\$ 5,866	\$ 23,850	\$ 66,716	\$ 29,620	\$ 53,541	\$ 11...	
Nonperforming	—	—	—	—	—	219	—	219	—	—	—	—	—	—	—
Total non-owner occupied	1,709	23,394	66,664	29,960	53,905	118,007	1,076	294,715	5,866	23,850	66,716	29,620	53,541	11...	
All other CRE															
Performing	710	29,970	31,545	26,411	20,732	83,331	4,806	197,505	10,726	31,357	30,646	25,970	20,356	8...	
Nonperforming	—	—	—	—	—	599	—	599	—	—	—	—	—	—	—
Total all other CRE	710	29,970	31,545	26,411	20,732	83,930	4,806	198,104	10,726	31,357	30,646	25,970	20,356	8...	
Acquisition and development:															
1-4 family residential construction															
Performing	129	16,488	337	—	—	—	1,827	18,781	1,325	13,866	—	—	—	—	—
Nonperforming	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total acquisition and development	129	16,488	337	—	—	—	1,827	18,781	1,325	13,866	—	—	—	—	—
All other A&D															
Performing	3,553	20,963	18,794	1,949	3,022	11,860	4,397	64,538	7,622	24,112	19,888	1,917	2,281	1...	
Nonperforming	—	—	—	—	—	105	—	105	—	—	—	—	—	—	—
Total all other A&D	3,553	20,963	18,794	1,949	3,022	11,965	4,397	64,643	7,622	24,112	19,888	1,917	2,281	1...	
Commercial and industrial:															
Performing	9,089	46,258	63,811	22,538	17,626	18,710	84,597	262,629	16,310	40,278	59,753	20,819	16,655	1...	
Nonperforming	—	—	9,338	1,746	—	—	1,009	12,093	—	—	4,079	1,097	—	—	—
Total commercial and industrial	9,089	46,258	73,149	24,284	17,626	18,710	85,606	274,722	16,310	40,278	63,832	21,916	16,655	1...	
Residential mortgage:															
Residential mortgage term															
Performing	6,398	52,650	97,246	86,965	37,673	155,443	2,143	438,518	16,831	57,219	97,006	85,596	37,012	15...	
Nonperforming	—	—	—	135	—	2,423	31	2,589	—	—	—	130	153	—	—
Total residential mortgage term	6,398	52,650	97,246	87,100	37,673	157,866	2,174	441,107	16,831	57,219	97,006	85,726	37,165	15...	
Residential mortgage home equity															
Performing	—	965	4,447	843	460	693	53,125	60,533	30	940	4,243	818	444	—	—
Nonperforming	—	—	74	—	37	16	223	350	—	—	—	—	36	—	—

Total residential mortgage home equity	—	965	4,521	843	497	709	53,348	60,883	30	940	4,243	818	480	—
Consumer:														
Performing	3,030	16,309	9,520	5,505	1,900	20,122	2,814	59,200	5,990	14,669	8,324	4,846	1,612	18
Nonperforming	—	31	25	84	—	32	—	172	—	18	17	61	—	—
Total consumer	3,030	16,340	9,545	5,589	1,900	20,154	2,814	59,372	5,990	14,687	8,341	4,907	1,612	18
Total Portfolio Loans														
Performing	24,618	206,997	292,364	174,171	135,318	407,947	154,785	1,396,200	64,700	206,291	286,576	169,586	131,901	39
Nonperforming	—	31	9,437	1,965	37	3,394	1,263	16,127	—	18	4,096	1,288	189	—
Total Portfolio Loans	\$24,618	\$207,028	\$301,801	\$176,136	\$135,355	\$411,341	\$156,048	\$1,412,327	\$64,700	\$206,309	\$290,672	\$170,874	\$132,090	\$39

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(in thousands)	2023	2022	2021	2020	2019	Prior	2018 and Revolving	Total Portfolio Loans
December 31, 2023								
Commercial real estate:								
Non-owner-occupied								
Performing	\$ 23,511	\$ 65,878	\$ 30,332	\$ 54,270	\$ 40,575	\$ 80,639	\$ 1,138	\$ 296,343
Nonperforming	—	—	—	—	—	227	—	227
Total non-owner occupied	23,511	65,878	30,332	54,270	40,575	80,866	1,138	296,570
All other CRE								
Performing	30,130	27,379	27,042	21,335	24,726	60,827	5,095	196,534
Nonperforming	—	—	—	—	—	599	—	599
Total all other CRE	30,130	27,379	27,042	21,335	24,726	61,426	5,095	197,133
Acquisition and development:								
1-4 family residential construction								
Performing	13,745	3,446	—	—	—	—	1,033	18,224
Nonperforming	—	—	—	—	—	—	—	—
Total acquisition and development	13,745	3,446	—	—	—	—	1,033	18,224
All other A&D								
Performing	12,184	25,099	2,966	3,046	1,301	9,946	4,181	58,723
Nonperforming	—	—	—	—	—	113	—	113
Total all other A&D	12,184	25,099	2,966	3,046	1,301	10,059	4,181	58,836
Commercial and industrial:								
Performing								
Performing	52,562	75,911	26,241	18,559	8,970	10,889	81,472	274,604
Nonperforming	—	—	—	—	—	—	—	—
Total commercial and industrial	52,562	75,911	26,241	18,559	8,970	10,889	81,472	274,604

Residential mortgage:								
Residential mortgage - term								
Performing	51,625	94,722	89,629	38,245	25,375	133,526	1,603	434,725
Nonperforming	—	139	135	—	98	2,701	31	3,104
Total residential mortgage - term	51,625	94,861	89,764	38,245	25,473	136,227	1,634	437,829
Residential mortgage - home equity								
Performing	1,127	4,657	864	475	286	488	53,802	61,699
Nonperforming	—	—	—	38	—	17	288	343
Total residential mortgage - home equity	1,127	4,657	864	513	286	505	54,090	62,042
Consumer:								
Performing	18,304	10,616	6,405	2,229	516	20,367	2,879	61,316
Nonperforming	9	35	69	—	—	—	—	113
Total consumer	18,313	10,651	6,474	2,229	516	20,367	2,879	61,429
Total Portfolio Loans								
Performing	203,188	307,708	183,479	138,159	101,749	316,682	151,203	1,402,168
Nonperforming	9	174	204	38	98	3,657	319	4,499
Total Portfolio Loans	\$ 203,197	\$ 307,882	\$ 183,683	\$ 138,197	\$ 101,847	\$ 320,339	\$ 151,522	\$ 1,406,667

Loan Modifications for Borrowers Experiencing Financial Difficulty

The Company evaluates all loan modifications according to the accounting guidance in ASU 2022-02 to determine if the modification results in a new loan or a continuation of the existing loan. Loan modifications to borrowers experiencing financial difficulties that result in a direct change in the timing or amount of contractual cash flows include situations where there is principal forgiveness, interest rate reductions, other-than-insignificant payment delays, term extensions, or combinations of the listed

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modifications. Therefore, the disclosures related to loan restructurings are for modifications which have a direct impact on cash flows.

The Company may offer various types of modifications when restructuring a loan. Commercial and industrial loans modified in a loan restructuring often involve temporary interest-only payments, term extensions, and converting credit lines to term loans. Additional collateral, a co-borrower, or a guarantor is often requested.

Commercial mortgage and construction loans modified in a loan restructuring often involve reducing the interest rate for the remaining term of the loan, extending the maturity date at an interest rate lower than the current market rate for new debt with similar risk, or substituting or adding a new borrower or guarantor. Construction loans modified in a loan restructuring may also involve extending the interest-only payment period.

Loans modified in a loan restructuring for the Company may have the financial effect of increasing the specific allowance associated with the loan. An allowance for loans that have been modified in a loan restructuring is measured based on the present value of expected cash flows discounted at the loan's effective interest rate or the estimated fair value of the collateral, less any selling costs, if the loan is collateral dependent. Management exercises significant judgment in developing these estimates.

Commercial and consumer loans modified in a loan restructuring are closely monitored for delinquency as an early indicator of possible future default. If loans modified in a loan restructuring subsequently default, the Company evaluates the loan for possible further loss. The allowance may be increased, adjustments may be made in the allocation of the allowance, or partial charge-offs may be taken to further write-down the carrying value of the loan.

The following tables present the amortized cost basis as of June 30, 2024 and the financial effect of loans modified to borrowers experiencing financial difficulty during the six- and three-months ended June 30, 2024:

(in thousands)	Percentage of Total Loan Weighted Average Term and Principal		
	Term Extension	Type	Payment Extension
Six months ended June 30, 2024			
Owner-occupied commercial real estate	\$ 893	0.4%	12 months
Total	\$ 893		

(in thousands)	Percentage of Total Loan Weighted Average Term and Principal		
	Term Extension	Type	Payment Extension
Three months ended June 30, 2024			
Owner-occupied commercial real estate	\$ 893	0.4%	12 months
Total	\$ 893		

There were no loan modifications made to borrowers experiencing financial difficulty during the six- or three-month period ending June 30, 2023.

The Company monitors loan payments on performing and non-performing loans on an ongoing basis to determine if a loan is considered to have a payment default. As of June 30, 2024, the loan that was modified in the second quarter has made all contractual payments.

If a modified loan over \$0.1 million subsequently defaults and goes on non-accrual status, the Company individually evaluates the loan when performing its CECL estimate to calculate the ACL. Upon determination that a modified loan (or a portion of a modified loan) has subsequently been deemed uncollectible, the loan (or portion of the loan) is charged off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the ACL is adjusted by the same amount.

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Note 6 – Fair Value of Financial Instruments

The Corporation complies with the guidance of ASC Topic 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements required under other accounting pronouncements. The Corporation also follows the guidance on matters relating to all financial instruments found in ASC Subtopic 825-10, *Financial Instruments – Overall*.

Fair value is defined as the price to sell an asset or to transfer a liability in an orderly transaction between willing market participants as of the measurement date. Fair value is best determined by values quoted through active trading markets. Active trading markets are characterized by numerous transactions of similar financial instruments between willing buyers and willing sellers. Because no active trading market exists for various types of financial instruments, many of the fair values disclosed were derived using present value discounted cash flows or other valuation techniques described below. As a result, the Corporation's ability to actually realize these derived values cannot be assumed.

The Corporation measures fair values based on the fair value hierarchy established in ASC Paragraph 820-10-35-37. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of inputs that may be used to measure fair value under the hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets and liabilities. This level is the most reliable source of valuation.

Level 2: Quoted prices that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability. Level 2 inputs include inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates). It also includes inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs). Several sources are utilized for valuing these assets, including a contracted valuation service, Standard & Poor's evaluations and pricing services, and other valuation matrices.

Level 3: Prices or valuation techniques that require inputs that are both significant to the valuation assumptions and not readily observable in the market (i.e. supported with little or no market activity). Level 3 instruments are valued based on the best available data, some of which is internally developed, and consider risk premiums that a market participant would require.

The level established within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Transfers in and out of Level 1, 2 or 3 are recorded at fair value at the beginning of the reporting period.

Investments – The investment portfolio is classified and accounted for based on the guidance of ASC Topic 320, *Investments – Debt and Equity Securities*.

The fair value of investments is determined using a market approach. As of **March 31, 2024** **June 30, 2024**, the U.S. Government agencies and treasuries, residential and commercial mortgage-backed securities, collateralized mortgage obligations, and state and political subdivisions bonds, excluding tax increment financing ("TIF") bonds, were classified as Level 2 within the valuation hierarchy. Their fair values were determined based upon market-corroborated inputs and valuation matrices, which were obtained through third party data service providers or securities brokers through which the Corporation has historically transacted both purchases and sales of investment securities. The TIF bonds and collateralized debt obligation ("CDO") portfolio, which consists of pooled trust preferred securities issued by banks, thrifts, and insurance companies, are classified as Level 3 within the valuation hierarchy. The CDO fair values are determined by a third party using a discounted cash flow model.

Derivative financial instruments (Cash flow hedge) – The Corporation's open derivative positions are interest rate swap agreements. Those classified as Level 2 open derivative positions are valued using externally developed pricing models based on observable market inputs provided by a third party and validated by management. The Corporation has considered counterparty credit risk in the valuation of its interest rate swap assets.

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Nonrecurring Basis –

Individually Evaluated Loans– Individual loans with borrowers experiencing financial difficulty and with a remaining principal balance of \$0.1 million or more are evaluated for potential specific reserves and adjusted, if a shortfall exists, to fair value less costs to sell. Fair value is measured based on the value of the value of the underlying collateral securing the loan if repayment is expected solely from the sale of operation of the collateral or present value of estimated future cash flows discounted at the loan's contractual interest rate if the loan is not determined to be collateral dependent.

Fair value for individually evaluated loans is determined using several methods. Generally, the fair value of real estate is determined based on appraisals by qualified licensed appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. These routine adjustments are made to adjust the value of a specific property relative to comparable properties for variations in qualities such as location, size, and income production capacity relative to the subject property of the appraisal.

Subsequent to the initial impairment date, existing individually evaluated loans are reevaluated quarterly for additional impairment and adjustments to fair value less costs to sell are made, where appropriate. For individually evaluated loans, the first state of our impairment analysis involves inspection of the property in question to affirm the condition has not deteriorated since the previous impairment analysis date. Management also engages in conversations with local real estate professionals and market participants to determine the likely marketing time and value range for the property. The second state involves an assessment of current trends in the regional market. After thorough consideration of these factors, management will order a new appraisal.

For non-individually evaluated loans, the fair value is determined by updating the present value of estimated future cash flows using the loan's existing rate to reflect the payment schedule for the remaining life of the loan.

Equity Investment- Equity investments included in the table below are considered impaired with losses recognized on the income statement in net gains. Fair value of the equity investment was based on an independent third party valuation report where the value was determined based on the revenue multiples of like kind information technology businesses. These assets are included as Level 3 fair values based upon the lowest level of input that is significant to the fair value measurements.

Other real estate owned – Other real estate owned included in the table below are considered impaired with specific write-downs. Fair value of other real estate owned was based on independent third party appraisals of the properties. These values were determined based on the sales prices of similar properties in the approximate geographic area. These assets are included as Level 3 fair values based upon the lowest level of input that is significant to the fair value measurements.

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For assets measured at fair value on a recurring and non-recurring basis, the fair value measurements by level within the fair value hierarchy used at **March 31, 2024** June 30, 2024 and December 31, 2023 were as follows:

	Fair Value Measurements at March 31, 2024 Using				Fair Value Measurements at June 30, 2024 Using			
	Quoted		Significant		Quoted		Significant	
	Assets	Prices in Active Markets	Other	Significant	Assets	Prices in Active Markets	Other	Significant
	Measured at	for Identical	Observable	Unobservable	Measured at	for Identical	Observable	Unobservable
	Fair Value	Assets	Inputs	Inputs	Fair Value	Assets	Inputs	Inputs
(in thousands)	03/31/24	(Level 1)	(Level 2)	(Level 3)	06/30/24	(Level 1)	(Level 2)	(Level 3)
Recurring:								
Investment securities available-for-sale:								
U.S. government agencies	\$ 6,019		\$ 6,019		\$ 6,035		\$ 6,035	
Residential mortgage-backed agencies	\$ 19,854		\$ 19,854		\$ 19,283		\$ 19,283	
Commercial mortgage-backed agencies	\$ 27,916		\$ 27,916		\$ 27,308		\$ 27,308	
Collateralized mortgage obligations	\$ 15,889		\$ 15,889		\$ 15,449		\$ 15,449	
Obligations of states and political subdivisions	\$ 10,253		\$ 10,253		\$ 10,167		\$ 10,167	
Corporate bonds	\$ 763		\$ 763		\$ 737		\$ 737	
Collateralized debt obligations	\$ 14,886		\$ 14,886		\$ 13,975		\$ 13,975	
Financial derivatives	\$ 829		\$ 829		\$ 762		\$ 762	
Non-recurring:								
Individually evaluated loans, net	\$ —		\$ —		\$ 2,096		\$ 2,096	
Equity Investment	\$ 3,116		\$ 3,116		\$ 3,551		\$ 3,551	
Other real estate owned	\$ 210		\$ 210		\$ 2,698		\$ 2,698	

Fair Value Measurements
at December 31, 2023 Using

(in thousands)	Assets/(liabilities)	Quoted Prices in Active Markets			
		Significant		Significant	
		Measured at	for Identical	Observable	Unobservable
		Fair Value	Assets	Inputs	Inputs
12/31/23		(Level 1)	(Level 2)	(Level 3)	
Recurring:					
Investment securities available-for-sale:					
U.S. government agencies	\$ 6,034		\$ 6,034		
Residential mortgage-backed agencies	\$ 20,563		\$ 20,563		
Commercial mortgage-backed agencies	\$ 28,417		\$ 28,417		
Collateralized mortgage obligations	\$ 16,356		\$ 16,356		
Obligations of states and political subdivisions	\$ 10,312		\$ 10,312		
Corporate bonds	\$ 778		778		
Collateralized debt obligations	\$ 14,709			\$ 14,709	
Financial derivatives	\$ 756		\$ 756		
Non-recurring:					
Individually evaluated loans, net	\$ —		\$ —		
Equity investment	\$ 3,087		\$ 3,087		
Other real estate owned	\$ 4,443		\$ 4,443		

Individually evaluated loans had a net carrying amount of **\$14.9 million** **\$8.8 million** and \$3.0 million with no valuation allowance at **March 31, 2024** and **June 30, 2024** or December 31, 2023, respectively.

There were no transfers of assets between any of the fair value hierarchy for the **three month** **six-month** periods ended **March 31, 2024** **June 30, 2024** or 2023.

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For Level 3 assets and liabilities measured at fair value on a recurring and non-recurring basis as of **March 31, 2024** **June 30, 2024** and December 31, 2023, the significant unobservable inputs used in the fair value measurements were as follows:

(in thousands)	Fair Value at March 31, 2024				Fair Value at June 30, 2024			
	Valuation Technique	Significant Unobservable Inputs	Significant Unobservable Input Value	Valuation Technique	Significant Unobservable Inputs	Significant Unobservable Input Value	Valuation Technique	Significant Unobservable Inputs
Recurring:								
Investment Securities – available for sale -CDO	\$ 14,886	Discounted Cash Flow	Discount Margin	Range of low 500 to mid 500	\$ 13,975	Discounted Cash Flow	Discount Margin	Range of mid 400 to high 400
Non-recurring:								
Individually Evaluated Loans, net					\$ 2,096	Market Comparable Properties	Marketability Discount	N/A
Equity Investment	\$ 3,116	Market Method	Revenue Multiples	2.8x	\$ 3,551	Market Method	Revenue Multiples	2.8x

	\$	Market Comparable Properties	Marketability Discount	\$ 2,698	Market Comparable Properties	Marketability Discount	5.0% to 15.0% (weighted avg 5.9%)
Other Real Estate Owned	210		5.00%				

(in thousands)	Fair Value at December 31, 2023		Valuation Technique	Significant Unobservable Inputs		Significant Unobservable Input Value	
	2023						
Recurring:							
Investment Securities – available for sale -CDO	\$ 14,709		Discounted Cash Flow	Discount Margin	Range of low to mid 500 and low to mid 600		
Non-recurring:							
Equity Investment	\$ 3,087		Market Method	Revenue Multiples	2.8x		
Other Real Estate	\$ 4,443		Market Comparable Properties	Marketability Discount	5.0% to 15.0% (weighted avg 5.9%)		

(1) Range would include discounts taken since appraisal and estimated values

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The following tables show a reconciliation of the beginning and ending balances for fair valued assets measured on a recurring basis using Level 3 significant unobservable inputs for the six- and three-month periods ended **March 31, 2024** **June 30, 2024** and 2023:

(in thousands)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Investment Securities Available for Sale		Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Investment Securities Available for Sale	
	\$ 14,709		\$ 14,709	
	177		(734)	
	\$ 14,886		\$ 13,975	
Beginning balance January 1, 2024				
Total losses realized/unrealized:				
Included in other comprehensive loss				
Ending balance March 31, 2024				
Ending balance June 30, 2024				

(in thousands)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Investment Securities Available for Sale		Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Investment Securities Available for Sale	
	\$ 15,871		\$ 15,871	
	177		(734)	
	\$ 15,871		\$ 15,871	
Beginning balance January 1, 2023				
Total losses realized/unrealized:				

Included in other comprehensive loss	(1,757)	(1,766)
Ending balance March 31, 2023	\$ 14,114	
Ending balance June 30, 2023	\$ 14,105	

	Fair Value Measurements
	Using Significant Unobservable Inputs
	(Level 3)
	Investment Securities
(in thousands)	Available for Sale
Beginning balance April 1, 2024	\$ 14,886
Total losses realized/unrealized:	
Included in other comprehensive loss	(911)
Ending balance June 30, 2024	<u><u>\$ 13,975</u></u>

	Fair Value Measurements
	Using Significant Unobservable Inputs
	(Level 3)
	Investment Securities
(in thousands)	Available for Sale
Beginning balance April 1, 2023	\$ 14,114
Total losses realized/unrealized:	
Included in other comprehensive loss	(9)
Ending balance June 30, 2023	<u><u>\$ 14,105</u></u>

There were no gains or losses included in earnings attributable to the change in realized/unrealized gains or losses related to the assets for the six- or three-month periods ended **March 31, 2024** **June 30, 2024** or 2023.

The disclosed fair values may vary significantly between institutions based on the estimates and assumptions used in the various valuation methodologies. The derived fair values are subjective in nature and involve uncertainties and significant judgment. Therefore, they cannot be determined with precision. Changes in the assumptions could significantly impact the derived estimates of fair value. Disclosure of non-financial assets such as buildings, as well as certain financial instruments such as leases is not required. Accordingly, the aggregate fair values presented do not represent the underlying value of the Corporation.

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The following tables present fair value information about financial instruments, whether or not recognized in the Consolidated Statement of Financial Condition, for which it is practicable to estimate that value. The actual carrying amounts and estimated fair values of the Corporation's financial instruments that are included in the Consolidated Statement of Financial Condition are as follows:

June 30, 2024	Fair Value Measurements		
	Quoted		
	Prices in		
	Active Markets	Other	Significant
	for Identical	Observable	Unobservable

(in thousands)	Carrying	Fair	Assets	Inputs	Inputs
	Amount	Value	(Level 1)	(Level 2)	(Level 3)
Financial Assets:					
Cash and due from banks	\$ 43,635	\$ 43,635	\$ 43,635		
Interest bearing deposits in banks	1,457	1,457	1,457		
Investment securities - AFS	92,954	92,954		\$ 78,979	\$ 13,975
Investment securities - HTM	174,197	143,030		141,259	1,771
Restricted bank stock	3,395	N/A			
Loans, net	1,404,746	1,329,798			1,329,798
Financial derivatives	762	762		762	
Accrued interest receivable	7,115	7,115		847	6,268
Financial Liabilities:					
Deposits - non-maturity	1,378,674	1,378,674		1,378,674	
Deposits - time deposits	158,397	155,969		155,969	
Short-term borrowed funds	62,564	62,564		62,564	
Long-term borrowed funds	70,929	70,939		70,939	
Accrued interest payable	1,352	1,352		1,352	

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(in thousands)	December 31, 2023		Fair Value Measurements		
			Quoted		
			Prices in		
			Active Markets		
		for Identical		Other	Significant
		Observable		Unobservable	
		Carrying	Fair	Assets	Inputs
		Amount	Value	(Level 1)	(Level 2)
					(Level 3)
Financial Assets:					
Cash and due from banks	\$ 48,343	\$ 48,343	\$ 48,343		
Interest bearing deposits in banks	1,410	1,410	1,410		
Investment securities - AFS	97,169	97,169		\$ 82,460	\$ 14,709
Investment securities - HTM	214,297	184,415		182,510	1,905
Restricted bank stock	5,250	N/A			
Loans, net	1,388,847	1,319,456			1,319,456
Financial derivative	778	778		778	—
Accrued interest receivable	7,487	7,487		828	6,659
Financial Liabilities:					
Deposits - non-maturity	1,355,444	1,355,444		1,355,444	
Deposits - time deposits	195,533	193,337		193,337	
Short-term borrowed funds	45,418	45,418		45,418	
Long-term borrowed funds	110,929	110,809		110,809	
Accrued interest payable	612	612		612	

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	March 31, 2024		Fair Value Measurements				
			Quoted				
			Prices in		Significant		
			Active Markets		Other		Significant
			for Identical		Observable		Unobservable
	Carrying	Fair	Assets		Inputs		Inputs
(in thousands)	Amount	Value	(Level 1)		(Level 2)		(Level 3)
Financial Assets:							
Cash and due from banks	\$ 85,578	\$ 85,578	\$ 85,578				
Interest bearing deposits in banks	1,354	1,354		1,354			
Investment securities - AFS	95,580	95,580				\$ 80,694	\$ 14,886
Investment securities - HTM	183,136	152,225				150,370	1,855
Restricted bank stock	3,390	N/A					
Loans, net	1,394,031	1,314,303					1,314,303
Financial derivatives	829	829				829	
Accrued interest receivable	7,762	7,762				744	7,018
Financial Liabilities:							
Deposits - non-maturity	1,382,272	1,382,272				1,382,272	
Deposits - time deposits	181,181	174,802				174,802	
Short-term borrowed funds	79,494	79,494				79,494	
Long-term borrowed funds	70,929	70,932				70,932	
Accrued interest payable	919	919				919	

	December 31, 2023		Fair Value Measurements				
			Quoted				
			Prices in		Significant		
			Active Markets		Other		Significant
			for Identical		Observable		Unobservable
	Carrying	Fair	Assets		Inputs		Inputs
(in thousands)	Amount	Value	(Level 1)		(Level 2)		(Level 3)
Financial Assets:							
Cash and due from banks	\$ 48,343	\$ 48,343	\$ 48,343				
Interest bearing deposits in banks	1,410	1,410		1,410			
Investment securities - AFS	97,169	97,169			\$ 82,460	\$ 14,709	
Investment securities - HTM	214,297	184,415			182,510	1,905	
Restricted bank stock	5,250	N/A					
Loans, net	1,388,847	1,319,456				1,319,456	
Financial derivative	778	778			778	—	
Accrued interest receivable	7,487	7,487			828	6,659	
Financial Liabilities:							
Deposits - non-maturity	1,355,444	1,355,444			1,355,444		
Deposits - time deposits	195,533	193,337			193,337		
Short-term borrowed funds	45,418	45,418			45,418		
Long-term borrowed funds	110,929	110,809			110,809		
Accrued interest payable	612	612			612		

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Note 7 – Accumulated Other Comprehensive Loss

The following table presents the changes in each component of accumulated other comprehensive loss for the three-month periods ended **March 31, 2024**, **June 30, 2024**, **March 31, 2023** and **2023: March 31, 2023**:

(in thousands)	Investment securities-with credit related impairment							Investment securities-with credit related impairment							
	AFS	AFS	HTM	Hedge	Cash Flow	Pension	SERP	AFS	AFS	HTM	Hedge	Pension		SERP	
	Total							Total							
Accumulated OCL, net:															
Balance	-														
January 1, 2024		(2,482)	(13,217)	(5,201)	569	(14,263)	(1,233)	(35,827)		(2,482)	(13,217)	(5,201)	569	(14,263)	(1,233)
Other comprehensive income/(loss) before reclassifications		155	(459)	—	54	1,096	—	846		155	(459)	—	54	1,096	—
Amounts reclassified from accumulated other comprehensive income		(37)	—	118	—	149	29	259		(37)	—	118	—	149	29
Balance	-	\$ (2,364)	\$ (13,676)	\$ (5,083)	\$ 623	\$ (13,018)	\$ (1,204)	\$ (34,722)		\$ (2,364)	\$ (13,676)	\$ (5,083)	\$ 623	\$ (13,018)	\$ (1,204)
Other comprehensive (loss)/income before reclassifications										(620)	(528)	—	(51)	(396)	—
Amounts reclassified from accumulated other comprehensive income										(40)	—	118	—	150	29
Balance - June 30, 2024										\$ (3,024)	\$ (14,204)	\$ (4,965)	\$ 572	\$ (13,264)	\$ (1,175)
Accumulated OCL, net:															
Balance	-														
January 1, 2023		\$ (1,711)	\$ (16,380)	\$ (5,703)	\$ 797	\$ (16,603)	\$ 574	\$ (39,026)		\$ (1,711)	\$ (16,380)	\$ (5,703)	\$ 797	\$ (16,603)	\$ 574

Other comprehensive (loss)/income before reclassifications	(1,180)	985	—	(138)	123	—	(210)	(1,180)	985	—	(138)	123	—
Amounts reclassified from accumulated other comprehensive income							(37)	—	133	—	184	—	(1)
Balance - March 31, 2023							\$ (2,928)	\$ (15,395)	\$ (5,570)	\$ 659	\$ (16,296)	\$ 573	\$
Other comprehensive income/(loss) before reclassifications							111	(1,654)	—	150	(42)	—	
Amounts reclassified from accumulated other comprehensive loss							(37)	—	133	—	184	—	(1)
Balance - March 31, 2023							\$ (2,928)	\$ (15,395)	\$ (5,570)	\$ 659	\$ (16,296)	\$ 573	\$ (38,957)
Balance - June 30, 2023							\$ (2,857)	\$ (17,049)	\$ (5,441)	\$ 809	\$ (16,143)	\$ 571	\$ (

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The following tables present the components of other comprehensive income/loss for the six- and three-month periods ended **March 31, 2024** **June 30, 2024** and 2023:

	Before		Tax		Before		Tax	
	Tax	(Expense)	Amount	Benefit	Net	Amount	Benefit	Net
Components of Other Comprehensive Income								
Components of Other Comprehensive Loss								
(in thousands)								
For the three months ended March 31, 2024								
For the six months ended June 30, 2024								
Available for sale (AFS) securities with credit related impairment:								
Unrealized holding gains	\$ 210	\$ (55)	\$ 155					
Unrealized holding losses				\$ (633)	\$ 168	\$ (465)		
Less: accretable yield recognized in income	50	(13)	37	101	(24)	77		
Net unrealized gains on investments with credit related impairment	160	(42)	118					

Net unrealized losses on investments with credit related impairment				(734)	192	(542)
Available for sale securities – all other:						
Unrealized holding losses	(623)	164	(459)	(1,341)	354	(987)
Held to maturity securities:						
Unrealized holding gains on securities transferred to held to maturity	—	—	—	—	—	—
Less: amortization recognized in income	(160)	42	(118)	(320)	84	(236)
Net unrealized gains on HTM securities	160	(42)	118	320	(84)	236
Cash flow hedges:						
Unrealized holding gains	73	(19)	54	4	(1)	3
Pension Plan:						
Unrealized net actuarial gain	1,489	(393)	1,096	951	(251)	700
Less: amortization of unrecognized loss	(203)	54	(149)	(406)	107	(299)
Net pension plan liability adjustment	1,692	(447)	1,245	1,357	(358)	999
SERP:						
Unrealized net actuarial gain	—	—	—	—	—	—
Less: amortization of unrecognized loss	(39)	10	(29)	(78)	20	(58)
Net SERP liability adjustment	39	(10)	29	78	(20)	58
Other comprehensive income	\$ 1,501	\$ (396)	\$ 1,105			
Other comprehensive loss				\$ (316)	\$ 83	\$ (233)

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Components of Other Comprehensive Income (in thousands)	Before Tax (Expense)		
	Amount	Benefit	Net
For the six months ended June 30, 2023			
Available for sale (AFS) securities with credit related impairment:			
Unrealized holding losses	\$ (1,408)	\$ 339	\$ (1,069)
Less: accretable yield recognized in income	101	(24)	77
Net unrealized losses on investments with credit related impairment	(1,509)	363	(1,146)
Available for sale securities – all other:			
Unrealized holding losses	(881)	212	(669)
Held to maturity securities:			
Unrealized holding gains on securities transferred to held to maturity	—	—	—
Less: amortization recognized in income	(345)	83	(262)
Net unrealized gains on HTM securities	345	(83)	262
Cash flow hedges:			
Unrealized holding gain	16	(4)	12
Pension Plan:			
Unrealized net actuarial gain	105	(24)	81
Less: amortization of unrecognized loss	(499)	120	(379)
Net pension plan liability adjustment	604	(144)	460
SERP:			
Unrealized net actuarial gain	—	—	—
Less: amortization of unrecognized gain	4	(1)	3
Net SERP liability adjustment	(4)	1	(3)

Other comprehensive loss	\$ (1,429)	\$ 345	\$ (1,084)
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Components of Other Comprehensive Loss (in thousands)	Before Tax Amount	Tax (Expense) Benefit	Net
For the three months ended June 30, 2024			
Available for sale (AFS) securities with credit related impairment:			
Unrealized holding losses	\$ (843)	\$ 223	\$ (620)
Less: accretable yield recognized in income	51	(11)	40
Net unrealized losses on investments with credit related impairment	(894)	234	(660)
Available for sale securities – all other:			
Unrealized holding losses	(717)	189	(528)
Held to maturity securities:			
Unrealized holding gains	—	—	—
Less: amortization recognized in income	(160)	42	(118)
Net unrealized gains on HTM securities	160	(42)	118
Cash flow hedges:			
Unrealized holding losses	(69)	18	(51)
Pension Plan:			
Unrealized net actuarial loss	(538)	142	(396)
Less: amortization of unrecognized loss	(203)	53	(150)
Net pension plan liability adjustment	(335)	89	(246)
SERP:			
Unrealized net actuarial loss	—	—	—
Less: amortization of unrecognized loss	(39)	10	(29)
Net SERP liability adjustment	39	(10)	29
Other comprehensive loss	\$ (1,816)	\$ 478	\$ (1,338)

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Components of Other Comprehensive Income (in thousands)	Before Tax Amount	Tax (Expense) Benefit	Net
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For the three months ended March 31, 2023

Available for sale (AFS) securities with credit related impairment:

Unrealized holding losses	\$ (1,606)	\$ 426	\$ (1,180)
Less: accretable yield recognized in income	50	(13)	37
Net unrealized losses on investments with credit related impairment	<u>(1,656)</u>	<u>439</u>	<u>(1,217)</u>
Available for sale securities – all other:			
Unrealized holding gains	1,340	(355)	985
Net unrealized gains on all other AFS securities	<u>1,340</u>	<u>(355)</u>	<u>985</u>
Held to maturity securities:			
Unrealized holding gains on securities transferred to held to maturity	—	—	—
Less: amortization recognized in income	(181)	48	(133)
Net unrealized gains on HTM securities	<u>181</u>	<u>(48)</u>	<u>133</u>
Cash flow hedges:			
Unrealized holding loss	(188)	50	(138)
Pension Plan:			
Unrealized net actuarial gain	168	(45)	123
Less: amortization of unrecognized loss	(250)	66	(184)
Net pension plan liability adjustment	<u>418</u>	<u>(111)</u>	<u>307</u>
SERP:			
Unrealized net actuarial gain	—	—	—
Less: amortization of unrecognized gain	2	(1)	1
Net SERP liability adjustment	<u>(2)</u>	<u>1</u>	<u>(1)</u>
Other comprehensive income	<u>\$ 93</u>	<u>\$ (24)</u>	<u>\$ 69</u>

Components of Other Comprehensive Loss

(in thousands)

Before Tax	Tax (Expense)	
Tax Amount	Benefit	Net

For the three months ended June 30, 2023

Available for sale (AFS) securities with credit related impairment:

Unrealized holding gains	\$ 198	\$ (87)	\$ 111
Less: accretable yield recognized in income	51	(11)	40
unrealized losses on investments with credit related impairment	<u>147</u>	<u>(76)</u>	<u>71</u>
Available for sale securities – all other:			
Unrealized holding losses	<u>(2,221)</u>	<u>567</u>	<u>(1,654)</u>
Held to maturity securities:			
Unrealized holding gains	—	—	—
Less: amortization recognized in income	(164)	35	(129)
Net unrealized gains on HTM securities	<u>164</u>	<u>(35)</u>	<u>129</u>
Cash flow hedges:			
Unrealized holding gains	204	(54)	150
Pension Plan:			
Unrealized net actuarial loss	(63)	21	(42)
Less: amortization of unrecognized loss	(249)	54	(195)
Net pension plan liability adjustment	<u>186</u>	<u>(33)</u>	<u>153</u>
SERP:			
Unrealized net actuarial loss	—	—	—
Less: amortization of unrecognized loss	2	—	2
Net SERP liability adjustment	<u>(2)</u>	<u>—</u>	<u>(2)</u>
Other comprehensive loss	<u>\$ (1,522)</u>	<u>\$ 369</u>	<u>\$ (1,153)</u>

The following table presents the details of amounts reclassified from accumulated other comprehensive income loss for the six- and three-month periods ended **March 31, 2024** June 30, 2024 and 2023:

Amounts Reclassified from Accumulated Other Comprehensive Loss (in thousands)	Three Months Ended				Six Months Ended			
	March 31,		Affected Line Item in the Statement Where Net Income is Presented	June 30,		Affected Line Item in the Statement Where Net Income is Presented		
	2024	2023		2024	2023			
Net unrealized gains on available for sale investment securities with credit related impairment:								
Accretable yield	\$ 50	\$ 50	Interest income on taxable investment securities	\$ 101	\$ 101	Interest income on taxable investment securities		
Taxes	(13)	(13)	Credit for income tax expense	(24)	(24)	Provision for income tax expense		
	<u>\$ 37</u>	<u>\$ 37</u>	Net of tax	<u>\$ 77</u>	<u>\$ 77</u>	Net of tax		
Net unrealized losses on held to maturity securities:								
Amortization	\$ (160)	\$ (181)	Interest income on taxable investment securities	\$ (320)	\$ (345)	Interest income on taxable investment securities		
Taxes	42	48	Provision for income tax expense	84	83	Provision for income tax expense		
	<u>\$ (118)</u>	<u>\$ (133)</u>	Net of tax	<u>\$ (236)</u>	<u>\$ (262)</u>	Net of tax		
Net pension plan liability adjustment:								
Amortization of unrecognized loss	\$ (203)	\$ (250)	Other Expense	\$ (406)	\$ (499)	Other Expense		
Taxes	54	66	Provision for income tax expense	107	120	Provision for income tax expense		
	<u>\$ (149)</u>	<u>\$ (184)</u>	Net of tax	<u>\$ (299)</u>	<u>\$ (379)</u>	Net of tax		
Net SERP liability adjustment:								
Amortization of unrecognized (loss)/gain	\$ (39)	\$ 2	Other Expense	\$ (78)	\$ 4	Other Expense		
Taxes	10	(1)	(Credit)/provision for income tax expense	20	(1)	Provision for income tax expense		
	<u>\$ (29)</u>	<u>\$ 1</u>	Net of tax	<u>\$ (58)</u>	<u>\$ 3</u>	Net of tax		
Total reclassifications for the period								
	<u><u>\$ (259)</u></u>	<u><u>\$ (279)</u></u>	Net of tax	<u><u>\$ (516)</u></u>	<u><u>\$ (561)</u></u>	Net of tax		

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Amounts Reclassified from Accumulated Other Comprehensive Loss (in thousands)	Three Months Ended		
			Affected Line Item in the Statement Where Net Income is Presented
	June 30, 2024	2023	
Net unrealized gains on available for sale investment securities with credit related impairment:			
Accretable yield	\$ 51	\$ 51	Interest income on taxable investment securities
Taxes	(11)	(11)	Provision for income tax expense
	<u>\$ 40</u>	<u>\$ 40</u>	Net of tax
Net unrealized losses on held to maturity securities:			
Amortization	\$ (160)	\$ (164)	Interest income on taxable investment securities
Taxes	42	35	Provision for income tax expense
	<u>\$ (118)</u>	<u>\$ (129)</u>	Net of tax
Net pension plan liability adjustment:			
Amortization of unrecognized loss	\$ (203)	\$ (249)	Other expense
Taxes	53	54	Provision for income tax expense
	<u>\$ (150)</u>	<u>\$ (195)</u>	Net of tax
Net SERP liability adjustment:			
Amortization of unrecognized loss	\$ (39)	\$ 2	Other expense
Taxes	10	—	Provision for income tax expense
	<u>\$ (29)</u>	<u>\$ 2</u>	Net of tax
Total reclassifications for the period	<u>\$ (257)</u>	<u>\$ (282)</u>	Net of tax

Note 8 - Equity Compensation Plan Information

At the 2018 Annual Meeting of Shareholders, First United Corporation's shareholders approved the First United Corporation 2018 Equity Compensation Plan (the "Equity Plan"), which authorizes the issuance of up to 325,000 shares of common stock to employees, directors and qualifying consultants pursuant to stock options, stock appreciation rights, stock awards, dividend equivalents, and other stock-based awards.

The Corporation complies with the provisions of ASC Topic 718, *Compensation-Stock Compensation*, in measuring and disclosing stock compensation cost. The measurement objective in ASC Paragraph 718-10-30-6 requires public companies to measure the cost of employee services received in exchange for an award of equity instruments based on the grant date fair value of the award. The cost is recognized in expense over the period in which an employee is required to provide service in exchange for the award (the vesting period).

Pursuant to First United Corporation's director compensation policy, each director receives an annual retainer of 1,000 shares of First United Corporation common stock, plus \$15,000 to be paid, at the director's election, in cash or additional shares of common stock. In May 2024, a total of 14,325 fully vested shares of common stock were issued to directors, which had a grant date fair value of \$21.94 per share. In May 2023, a total of 16,931 fully vested shares of common stock were issued to directors, which had a grant date fair value of \$13.23 per share. In January 2023, a total of 333 fully vested shares of common stock were issued to a new director, which had a grant date fair value of \$19.36 per share. In October 2023, a total of 852 fully vested shares of common stock were issued to a new director which had a grant date fair value of \$16.26 per share. Director stock

compensation was \$134,964 and \$138,001 for the six-month periods ended June 30, 2024 and 2023, respectively. Director stock compensation expense was \$61,937 for the three months ended March 31, 2024 \$73,027 and \$75,501 for the three months ended March 31, 2023.

Employee stock compensation was \$5,058 and \$2,832 \$62,500 for the three-month periods ended March 31, 2024 June 30, 2024 and 2023, respectively.

Employee stock compensation expense was \$5,757 and \$7,104 for the six-month periods ended June 30, 2024 and 2023, respectively. Employee stock compensation expense was \$699 and \$4,272 for the three-month periods ended June 30, 2024 and 2023, respectively.

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Restricted Stock Units

On March 26, 2020, pursuant to the Corporation's Long Term Incentive Plan (the "LTIP"), which is a sub-plan of the Equity Plan, the Compensation Committee of First United Corporation's Board of Directors (the "Compensation Committee") granted RSUs to the Corporation's principal executive officer, its principal financial officer, and certain of its other executive officers. An RSU contemplates the issuance of shares of common stock of First United Corporation if and when the RSU vests.

The RSUs granted to each of the foregoing officers consist of (i) a performance vesting award for a three year performance period and (ii) a time-vesting award that will vest ratably over a three year period. Target performance levels were set based on the annual budget which supports the Corporation's long-term objective of achieving high performance as compared to peers. Threshold performance is the minimum level of acceptable performance as defined by the Compensation Committee and maximum performance represented a level potentially achievable under ideal circumstances. Achievement of the all threshold performance level levels would result in each executive participant earning a payout at 50% of his or her respective target award opportunity. Achievement of the all target performance level levels would result in the executive participant earning the target award and achievement award. Achievement at or above the all maximum performance level levels would result in the executive participant earning 150% of the target opportunity. Actual results for any goal that falls between performance levels would be interpolated to calculate a proportionate award.

To receive any shares under an RSU, a grantee must be employed by the Corporation or one of its subsidiaries on the applicable vesting date, except that a grantee whose employment terminates prior to such vesting date due to death, disability or retirement will be entitled to a pro-rated portion of the shares subject to the RSUs, assuming that, in the case of performance-vesting RSUs, the performance goals had been met at their "target" levels.

In May 2021, RSUs relating to 7,389 performance vesting shares and 3,693 time vesting shares (target level) for plan year 2021 were granted, which had a grant date fair market value of \$17.93 per share of common stock underlying each RSU. The performance period for the performance-vesting RSUs was the three-year period ending ended December 31, 2023. On March 9, 2024, it was determined that 7,389 performance-vesting RSUs failed to vest. The time-vesting RSUs will vest ratably over a three year period beginning on May 5, 2022. On May 5, 2022, 1,230 shares of the 3,693 time-vesting RSUs were issued to participants. On May 5, 2023, 1,230 additional shares of the 3,693 time-vesting RSUs were issued to participants. On May 5, 2024, the remaining 1,233 shares of the 3,693 time-vesting RSUs were issued to participants. Stock compensation expense was

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\$5,524 \$7,365 and \$33,142 for the six-month periods ended June 30, 2024 and 2023, respectively. Stock compensation expense was \$1,841 and \$16,571 for the three-month periods ended March 31, 2024 June 30, 2024 and 2023, respectively. Unrecognized All compensation expense related to the 2021 LTIP plans was recognized as of March 31, 2024 related to unvested units was \$1,841, June 30, 2024.

In March 2022, RSUs relating to 8,096 performance vesting shares and 6,238 time vesting shares (target level) for plan year 2022 were granted, which had a grant date fair market value of \$21.88 per share of common stock underlying each RSU. The performance period for the performance-vesting RSUs is the three year three-year period ending December 31, 2024. The time-vesting RSUs will vest ratably over a three year period beginning on March

9, 2023. On March 9, 2023, 2,079 shares of the 6,238 time-vesting RSUs were issued to participants. On March 9, 2024, 2,079 additional shares of the 6,238 time-vesting RSUs were issued to participants. Stock compensation expense was \$55,290 for each of the six-month periods ended June 30, 2024 and 2023. Stock compensation expense was \$26,145 for each both of the three-month periods ended March 31, 2024 June 30, 2024 and 2023. Unrecognized compensation expense as of March 31, 2024 June 30, 2024 related to unvested units RSUs was \$104,581, \$78,436.

In March 2023, RSUs relating to 10,214 performance vesting shares and 7,920 time vesting shares (target level) for plan year 2023 were granted, which had a grant date fair market value of \$18.25 per share of common stock underlying each RSU. The performance period for the performance-vesting RSUs is the three year period ending December 31, 2025. The time-vesting RSUs will vest ratably over a three year period beginning on March 15, 2024. On March 15, 2024, 2,639 shares of the 7,920 time-vesting RSUs were issued to participants. Stock compensation expense was \$55,170 and \$27,585 for the six-month periods ended June 30, 2024 and 2023, respectively. Stock compensation expense was \$27,585 for both of the three-month periods ended June 30, 2024 and 2023. Unrecognized compensation expense as of June 30, 2024 related to unvested RSUs was \$193,094.

In May 2024, RSUs relating to 8,593 performance vesting shares and 6,662 time vesting shares (target level) for plan year 2024 were granted, which had a grant date fair market value of \$22.26 per share of common stock underlying each RSU. The performance period for the performance-vesting RSUs is the three month year period ended March 31, 2024 December 31, 2026. The time-vesting RSUs will vest ratably over a three year period beginning on May 20, 2025. Stock compensation expense was \$9,438 for the six- and

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three-month periods ended June 30, 2024. Unrecognized compensation expense as of March 31, 2024 June 30, 2024 related to unvested units RSUs was \$220,679, \$330,330.

No new RSUs were granted during the three months ended March 31, 2024.

Note 9- Derivative Financial Instruments

As a part of managing interest rate risk, the Corporation entered into interest rate swap agreements to modify the re-pricing characteristics of certain interest-bearing liabilities. The Corporation has designated its interest rate swap agreements as cash flow hedges under the guidance of ASC Subtopic 815-30, *Derivatives and Hedging – Cash Flow Hedges*. Cash flow hedges have the effective portion of changes in the fair value of the derivative, net of taxes, recorded in net accumulated other comprehensive income.

In March 2016, the Corporation entered into four interest rate swap contracts totaling \$30.0 million notional amount, hedging future cash flows associated with floating rate trust preferred debt. As of March 31, 2024 June 30, 2024, \$15.0 million notional amount remains. The interest rate swap creates an effective fixed interest rate of 4.6450% 4.6550% on the \$15.0 million notional amount of the Corporation's junior subordination debt until the interest rate swap's maturity in March 2026. The fair value of the interest rate swap contracts was \$0.8 million at March 31, 2024 June 30, 2024 and December 31, 2023.

For the three months six- and three-month periods ended March 31, 2024 June 30, 2024, the Corporation recorded an increase in the value of the derivatives of \$73 thousand \$4,000 and the related deferred tax of \$19 \$1 thousand and a decrease of \$69,000 and the related deferred tax benefit of \$18,000, respectively, in net accumulated other comprehensive loss to reflect the effective portion of cash flow hedges. This compares to an increase of \$16,000 and the related deferred tax of \$4,000 and an increase of \$204,000 and related deferred tax of \$54,000 for the six- and three-months ended June 30, 2023, respectively. ASC Subtopic 815-30 requires the net accumulated other comprehensive loss to be reclassified to earnings if the hedge becomes ineffective or is terminated. There was no hedge ineffectiveness recorded for any of the three month period the six-month periods or three-month periods ended March 31, 2024 June 30, 2024 or 2023. The Corporation does not expect any material losses relating to these hedges to be reclassified into earnings within the next 12 months.

Interest rate swap agreements are entered into with counterparties that meet established credit standards and the Corporation believes that the credit risk inherent in these contracts is not significant as of March 31, 2024 June 30, 2024.

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The table below discloses the impact of derivative financial instruments on the Corporation's Consolidated Financial Statements for the six- and three-month periods ended **March 31, 2024** **June 30, 2024** and 2023.

Derivative in Cash Flow Hedging Relationships (in thousands)	Amount of gain or (loss) recognized in income or derivative (ineffective portion OCI on derivative (effective portion), net of tax			Amount of gain or (loss) recognized in income or derivative (ineffective portion OCI on derivative (effective portion), net of tax		
	Amount of gain or (loss) recognized in (loss) reclassified from accumulated OCI into income (effective portion) (a)	and amount excluded from effectiveness testing) (b)	Amount of gain or (loss) recognized in (loss) reclassified from accumulated OCI into income (effective portion) (a)	and amount excluded from effectiveness testing) (b)	Amount of gain or (loss) recognized in (loss) reclassified from OCI on derivative (effective portion), net of tax	Amount of gain or (loss) reclassified from accumulated OCI into income (effective portion) (a)
	Amount of gain or (loss) recognized in (loss) reclassified from OCI on derivative (effective portion), net of tax	Amount of gain or (loss) reclassified from accumulated OCI into income (effective portion) (a)	Amount of gain or (loss) recognized in (loss) reclassified from OCI on derivative (effective portion), net of tax	Amount of gain or (loss) reclassified from accumulated OCI into income (effective portion) (a)	Amount of gain or (loss) recognized in (loss) reclassified from OCI on derivative (effective portion), net of tax	Amount of gain or (loss) reclassified from accumulated OCI into income (effective portion) (a)
Interest rate contracts:						
Six months ended:						
June 30, 2024				\$ 3	\$ —	\$ —
June 30, 2023				12	—	—
Three months ended:						
March 31, 2024				\$ 54	\$ —	\$ —
March 31, 2023				(138)	—	—
June 30, 2024				\$ (51)	\$ —	\$ —
June 30, 2023				150	—	—

Notes:

- (a) Reported as interest expense
- (b) Reported as other income

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Note 10 – Regulatory Capital Requirements

The following table presents **our** the Bank's capital ratios as of **March 31, 2024** **June 30, 2024** and December 31, 2023.

	Required for				Required for			
	March 31, 2024	December 31, 2023	Capital Adequacy Purposes	Required to be Well Capitalized	June 30, 2024	December 31, 2023	Capital Adequacy Purposes	Required to be Well Capitalized
	14.17 %	14.05 %	8.00 %	10.00 %	14.41 %	14.05 %	8.00 %	10.00 %
	Total Capital (to risk-weighted assets)	Tier 1 Capital (to risk-weighted assets)						
Total Capital (to risk-weighted assets)	14.17 %	14.05 %	8.00 %	10.00 %	14.41 %	14.05 %	8.00 %	10.00 %
Tier 1 Capital (to risk-weighted assets)	12.92 %	12.81 %	6.00 %	8.00 %	13.16 %	12.81 %	6.00 %	8.00 %

Common Equity Tier 1 Capital (to risk-weighted assets)	12.92 %	12.81 %	4.50 %	6.50 %	13.16 %	12.81 %	4.50 %	6.50 %
Tier 1 Capital (to average assets)	10.08 %	9.92 %	4.00 %	5.00 %	10.47 %	9.92 %	4.00 %	5.00 %

As of **March 31, 2024** **June 30, 2024** and December 31, 2023, the Bank was considered "well capitalized" under the regulatory framework for prompt corrective action.

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Note 11 – Deposits

The following table summarizes deposits at **March 31, 2024** **June 30, 2024** and December 31, 2023.

(in thousands)	March 31, 2024		December 31, 2023	
	Balance	Percent	Balance	Percent
Non-Interest-bearing deposits:	\$ 422,759	27%	\$ 427,670	28%
Interest-bearing deposits:				
Demand	377,723	24%	350,860	22%
Money Market	392,933	25%	385,649	25%
Savings deposits	188,857	12%	191,265	12%
Time deposits- retail	151,181	10%	165,533	11%
Time deposits- brokered	30,000	2%	30,000	2%
Total Deposits	\$ 1,563,453	100%	\$ 1,550,977	100.0%

(in thousands)	June 30, 2024		December 31, 2023	
	Balance	Percent	Balance	Percent
Non-Interest-bearing deposits:	\$ 423,970	28%	\$ 427,670	28%
Interest-bearing deposits:				
Demand	373,046	24%	350,860	22%
Money Market	401,628	26%	385,649	25%
Savings deposits	180,030	12%	191,265	12%
Time deposits- retail	143,397	9%	165,533	11%
Time deposits- brokered	15,000	1%	30,000	2%
Total Deposits	\$ 1,537,071	100%	\$ 1,550,977	100%

Note 12 – Borrowed Funds

The following is a summary of **borrowings**: borrowings at June 30, 2024 and December 31, 2023:

(in thousands)	Three Months		December	
	Ended	Year Ended	June 30,	31,
	March 31, 2024	December 31, 2023	2024	2023
Short-term borrowings:				

Securities sold under agreements to repurchase:					
Outstanding at end of period	\$ 39,494	\$ 45,418	\$ 22,564	\$ 45,418	
Weighted average interest rate at end of period	0.27%	0.27%	0.23%	0.27%	
Maximum amount outstanding as of any month end	\$ 44,415	\$ 59,777	\$ 44,415	\$ 59,777	
Average amount outstanding	\$ 41,422	\$ 50,498	\$ 39,625	\$ 50,498	
Approximate weighted average rate during the period	0.27%	0.24%	0.27%	0.24%	
Bank Term Funding Program, fixed rate of 4.87% at March 31, 2024	\$ 40,000	\$ —	\$ —	\$ —	
FHLB advances, bearing fixed interest rate of 4.53% at March 31, 2024 and rates ranging from 4.53% to 4.69% at December 31, 2023.	\$ 40,000	\$ 80,000	\$ —	\$ —	
Junior subordinated debt, bearing variable interest rate of 8.34% at March 31, 2024 and 8.39% at December 31, 2023	30,929	30,929	30,929	30,929	
Bank Term Funding Program, fixed rate of 4.87% at June 30, 2024			\$ 40,000	\$ —	
Long-term borrowings:					
FHLB advances, bearing fixed interest rate of 4.53% at June 30, 2024 and rates ranging from 4.53% to 4.69% at December 31, 2023.			\$ 40,000	\$ 80,000	
Junior subordinated debt, bearing variable interest rate of 8.35% at June 30, 2024 and 8.39% at December 31, 2023			30,929	30,929	
Total borrowings outstanding	\$ 150,423	\$ 156,347	\$ 133,493	\$ 156,347	

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Short-term borrowings increased by **\$34.1 million** **\$17.1 million**, as the Bank borrowed \$40.0 million from the Bank Term Funding Program of the Board of Governors of the Federal Reserve System in January 2024, which was partially offset by a decrease of **\$5.9 million** **approximately \$22.0 million** in other short-term borrowings due to fluctuations in municipal customer balances in overnight the ICS deposit product as a result of management's strategy to release pledging of investment sweep products. securities for municipalities to increase available liquidity.

At **March 31, 2024** **June 30, 2024**, the repurchase agreements were secured by **\$52.7 million** **\$34.2 million** in investment securities issued by government related agencies. A minimum of 102% of fair value is pledged against account balances.

Long-term borrowings decreased by \$40.0 million as a \$40.0 million advance from the Federal Home Loan Bank matured in March 2024 and was fully repaid.

Note 13 – Segment Reporting

Currently, the Corporation conducts business in two operating segments: (i) Community **Banking** **Banking**; and (ii) Trust and Investment Services. The accounting policies of the segments are the same as those described in the summary of significant accounting policies provided earlier in this report.

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Business activity for the operating segments are as follows:

Community Banking: The Community Banking segment is conducted through the Bank and involves delivering a broad range of financial products and services, including various loan and deposit products, to consumer, business, and not-for-profit customers. Parent company income and assets are included in the Community Banking segment, as the majority of parent company functions are related to this segment. Major revenue sources include net interest income, gains on sales of mortgage loans, and service charges on deposit accounts. Expenses include personnel, occupancy, marketing, equipment, and other expenses. Non-cash charges other than depreciation of fixed assets were immaterial for the three months six- and three-month periods ended **March 31, 2024** June 30, 2024 and 2023.

Trust and Investment Services: The Trust and Investment Services segment is conducted through the Bank and offers corporate trustee services, trust and estate administration, IRA administration and custody services. Revenues for this segment is generated from administration, service and custody fees, as well as management fees that are derived from Assets Under Management. Expenses include personnel, occupancy, marketing, equipment, and other expenses. Non-cash charges associated with amortization of intangibles were approximately \$104,000 for both of the six-month periods ended June 30, 2024 and 2023 and \$52,000 for both of the three-month periods ended **March 31, 2024** June 30, 2024 and 2023.

Information for the operating segments for the three month six- and three-month periods ended **March 31, 2024** June 30, 2024 and 2023 are presented in the following tables:

(in thousands)	Three Months Ended			Six Months Ended		
	March 31, 2024			June 30, 2024		
	Community Banking	Trust and Investment Services	Total	Community Banking	Trust and Investment Services	Total
Interest income	\$ 21,898	\$ -	\$ 21,898	\$ 45,011	\$ -	\$ 45,011
Interest expense	8,086	-	8,086	15,961	-	15,961
Credit loss expense	946	-	946	2,140	-	2,140
Non-interest income	2,191	2,684	4,875	4,417	5,299	9,716
Non-interest expense	11,594	1,287	12,881	22,609	2,636	25,245
Income before income taxes and intercompany fees	3,463	1,397	4,860	8,718	2,663	11,381
Intercompany management fee income (expense)	3	(3)	-	6	(6)	-
Income before income taxes	3,466	1,394	4,860	8,724	2,657	11,381
Income tax expense	869	293	1,162	2,210	559	2,769
Net income	\$ 2,597	\$ 1,101	\$ 3,698	\$ 6,514	\$ 2,098	\$ 8,612

(in thousands)	Three Months Ended		
	March 31, 2023		
	Community Banking	Trust and Investment Services	Total
Interest income	\$ 17,829	\$ -	\$ 17,829
Interest expense	3,311	-	3,311
Credit loss expense	543	-	543
Non-interest income	2,125	2,268	4,393
Non-interest expense	11,385	1,253	12,638
Income before income taxes and intercompany fees	4,715	1,015	5,730
Intercompany management fee income (expense)	3	(3)	-
Income before income taxes	4,718	1,012	5,730
Income tax expense	1,143	212	1,355
Net income	\$ 3,575	\$ 800	\$ 4,375

(in thousands)	Six Months Ended		
	June 30, 2023		
	Trust and		
	Community	Investment	
	Banking	Services	Total
Interest income	\$ 37,801	\$ -	\$ 37,801
Interest expense	9,109	-	9,109
Credit loss expense	938	-	938
Non-interest income	4,411	4,551	8,962
Non-interest expense	22,562	2,587	25,149
Income before income taxes and intercompany fees	9,603	1,964	11,567
Intercompany management fee income (expense)	6	(6)	-
Income before income taxes	9,609	1,958	11,567
Income tax expense	2,367	411	2,778
Net income	\$ 7,242	\$ 1,547	\$ 8,789

(in thousands)	Three Months Ended		
	June 30, 2024		
	Trust and		
	Community	Investment	
	Banking	Services	Total
Interest income	\$ 23,113	\$ -	\$ 23,113
Interest expense	7,875	-	7,875
Credit loss expense	1,194	-	1,194
Non-interest income	2,225	2,616	4,841
Non-interest expense	11,015	1,349	12,364
Income before income taxes and intercompany fees	5,254	1,267	6,521
Intercompany management fee income (expense)	3	(3)	-
Income before income taxes	5,257	1,264	6,521
Income tax expense	1,341	266	1,607
Net income	\$ 3,916	\$ 998	\$ 4,914

(in thousands)	Three Months Ended		
	June 30, 2023		
	Trust and		
	Community	Investment	
	Banking	Services	Total
Interest income	\$ 19,972	\$ -	\$ 19,972
Interest expense	5,798	-	5,798
Credit loss credit	395	-	395
Non-interest income	2,286	2,283	4,569
Non-interest expense	11,177	1,334	12,511
Income before income taxes and intercompany fees	4,887	950	5,837
Intercompany management fee income (expense)	3	(3)	-
Income before income taxes	4,890	947	5,837
Income tax expense	1,224	199	1,423
Net income	\$ 3,666	\$ 748	\$ 4,414

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Total non-fiduciary assets of the trust and investment services segment were \$0.7 million (including \$0.6 million in intangible assets) at both **March 31, 2024** **June 30, 2024** and December 31, 2023. All other assets (including goodwill of \$11.0 million **as of both**

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March 31, 2024 **at June 30, 2024** and December 31, 2023 and other intangible assets of \$0.4 million and \$0.5 million **as of March 31, 2024** **at June 30, 2024** and December 31, 2023, respectively) were held by the community banking segment.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

INTRODUCTION

The following discussion and analysis is intended as a review of material changes in and significant factors affecting the financial condition and results of operations of First United Corporation and its consolidated subsidiaries for the periods indicated. This discussion and analysis should be read in conjunction with the unaudited consolidated financial statements and the notes thereto contained in Item 1 of Part I of this report, as well as the audited consolidated financial statements and related notes included in First United Corporation's Annual Report on Form 10-K for the year ended December 31, 2023.

Unless the context clearly suggests otherwise, references in this report to "us", "we", "our", and "the Corporation" are to First United Corporation and its consolidated subsidiaries.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. Forward-looking statements do not represent historical facts, but are statements about management's beliefs, plans and objectives about the future, as well as its assumptions and judgments concerning such beliefs, plans and objectives. These statements are evidenced by terms such as "anticipate," "estimate," "should," "will", "expect," "believe," "intend," and similar expressions. Although these statements reflect management's good faith beliefs and projections, they are not guarantees of future performance and they may not prove true. The beliefs, plans and objectives on which forward-looking statements are based involve risks and uncertainties that could cause actual results to differ materially from those addressed in the forward-looking statements. For a discussion of these risks and uncertainties, see the section of the periodic reports that First United Corporation files with the Securities and Exchange Commission entitled "Risk Factors".

FIRST UNITED CORPORATION

First United Corporation is a Maryland corporation chartered in 1985 and a financial holding company registered with the Board of Governors of the Federal Reserve System (the "FRB") under the Bank Holding Company Act of 1956, as amended, that elected financial holding company status in 2021. The Corporation's primary business is serving as the parent company of First United Bank & Trust, a Maryland trust company (the "Bank"), First United Statutory Trust I ("Trust I") and First United Statutory Trust II ("Trust II" and together with Trust I, "the Trusts"), both Connecticut statutory business trusts. The Trusts were formed for the purpose of selling trust preferred securities that qualified as Tier 1 capital. The Bank has two consumer finance company subsidiaries- OakFirst Loan Center, Inc., a West Virginia corporation, and OakFirst Loan Center, LLC, a Maryland limited liability company – and two subsidiaries that it uses to hold real estate acquired through foreclosure or by deed in lieu of foreclosure – First OREO Trust, a Maryland statutory trust, and FUBT OREO I, LLC, a Maryland limited liability company. In addition, the Bank owns 99.9% of the limited partnership interests in Liberty Mews Limited Partnership, a Maryland limited partnership formed for the purpose of acquiring, developing and operating low-income housing units in Garrett County, Maryland, and a 99.9% non-voting membership interest in MCC FUBT Fund, LLC, an Ohio limited liability company formed for the purpose of acquiring, developing and operating low-income housing units in Allegany County, Maryland.

At **March 31, 2024** **June 30, 2024**, the Corporation's total assets were \$1.9 billion, net loans were \$1.4 billion, and deposits were **\$1.6** **\$1.5** billion. Shareholders' equity at **March 31, 2024** **June 30, 2024** was **\$165.5** **\$164.2** million.

We maintain an Internet site at www.mybank.com on which we make available, free of charge, First United Corporation's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to the foregoing as soon as reasonably practicable after these reports are electronically filed with, or furnished to, the SEC.

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SELECTED FINANCIAL DATA

The following table sets forth certain selected financial data for the **three-month** **six-month** periods ended **March 31, 2024** **June 30, 2024** and 2023 and is qualified in its entirety by the detailed information and unaudited financial statements, including the notes thereto, included elsewhere in this quarterly report.

	As of the three months ended		As of the six months ended	
	March 31,		June 30,	
	2024	2023	2024	2023
Per Share Data				
Basic net income per common share	\$ 0.56	\$ 0.66	\$ 1.31	\$ 1.32
Basic net income per common share (1) - non-GAAP	\$ 0.62	\$ 0.66	\$ 1.37	\$ 1.32
Diluted net income per common share	\$ 0.56	\$ 0.65	\$ 1.31	\$ 1.31
Diluted net income per common share (1) - non-GAAP	\$ 0.62	\$ 0.65	\$ 1.37	\$ 1.31
Basic book value per common share	\$ 24.89	\$ 22.85	\$ 25.39	\$ 23.12
Diluted book value per common share	\$ 24.86	\$ 22.81	\$ 25.34	\$ 23.07
Significant Ratios:				
Return on Average Assets (a)	0.76 %	0.94 %	0.89 %	0.95 %
Accelerated depreciation expense, net of tax	0.09	— %	0.09 %	— %
Adjusted Return on Average Assets (a) (1) (non-GAAP)	0.85 %	0.94 %		
Adjusted Return on Average Assets (1) (non-GAAP)			0.98 %	0.95 %
Return on Average Equity (a)	9.07 %	11.87 %	10.51 %	11.43 %
Accelerated depreciation expense, net of tax	1.04	— %	1.04 %	— %
Adjusted Return on Average Equity (a) (1) (non-GAAP)	10.11 %	11.87 %		
Adjusted Return on Average Equity (1) (non-GAAP)			11.55 %	11.43 %
Average Equity to Average Assets	8.37 %	7.90 %	8.42 %	8.21 %
Capital Ratios:				
Bank Capital Ratios:				
Consolidated Total Capital (to risk weighted assets)	15.83 %	16.15 %	14.41 %	14.05 %
Consolidated Tier 1 Capital (to risk weighted assets)	14.58 %	14.90 %	13.16 %	12.81 %
Consolidated Common Equity Tier 1 Capital (to risk weighted assets)	12.60 %	12.82 %	13.16 %	12.81 %
Consolidated Tier 1 Capital (to average assets)	11.48 %	11.47 %	10.47 %	9.92 %
(1) See reconciliation of this non-GAAP financial measure provided elsewhere herein.				

RESULTS OF OPERATIONS

Overview

Consolidated net income was \$4.9 million for the second quarter of 2024. This compares to \$4.4 million for the second quarter of 2023. Consolidated net income for the first quarter of 2024 was \$3.7 million, which was inclusive of \$0.4 million, net of tax, in accelerated depreciation expenses expense related to branch closures, for the first quarter of 2024. This compares to \$4.4 million for the first quarter of 2023. Basic and diluted earnings per share were \$0.75 for the second quarter of 2024 compared to \$0.66 per share for the second quarter of 2023 and \$0.56 per share for the first quarter of 2024 compared to basic earnings per share of \$0.66 and diluted earnings per share of \$0.65 for the first quarter of 2023. 2024.

The \$0.7 million decrease \$0.5 million increase in quarterly net income year over year was primarily driven by a \$0.7 million decrease \$1.1 million increase in net interest income, and a \$0.4 million which was offset slightly by an increase of \$0.8 million in provision expense. The increase in provision for credit losses. Two large commercial relationships with combined loan balances of \$12.1 million were moved to non-accrual status during the first quarter of 2024, which resulted in a reversal of \$0.4 million in accrued net interest income and fees during was primarily related to the quarter. Additionally, year-over-year \$3.4 million increase in interest expense increased at a slightly faster pace than year-over-year interest income. The provision for credit loss also increased year over year on loans due to increased qualitative risk factors associated with new loans being booked at higher rates and the non-accrual loan balances. Management is actively managing these credits, which we anticipate will lead repricing of adjustable-rate loans. This increase was partially offset by the \$2.0 million increase in interest paid on deposits due to continued competitive pricing pressures. An increase of \$0.5 million in short-term borrowings related to the FRB's Bank Term Funding Program ("BTFP") was offset by the reduction in long-term borrowings related to the repayment of the \$40.0 million Federal Home

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to normal collection procedures such as returning the credits to accrual or moving loans through the foreclosure process over the next year. Other activity when comparing Loan Bank ("FHLB") advance in the first quarter of 2024. The year-over-year increase in provision for credit losses was primarily driven by increased charge-offs in the commercial and industrial portfolio related to one non-accrual credit where collateral was sold through a liquidation auction at depressed prices. The charge-off was partially offset by continued lower historical losses and improving qualitative factors related to the reduction of non-accrual balances. Comparing the second quarter of 2024 to the same period in 2023, was other activity included a \$0.4 million \$0.3 million increase in wealth management income due to improving market conditions and growth of new relationships and an increase a decrease in operating expenses of \$0.2 million \$0.1 million. The provision for income tax expense was down up \$0.2 million when comparing the two quarters due to decreased net increased income before tax.

Comparing the six months ended June 30, 2024 to the six months ended June 30, 2023, net interest income, on a non-GAAP, fully tax equivalent ("FTE") basis, was stable. Interest income increased by \$6.9 million. Average loan balances increased by \$112.9 million and the overall yield increased by 61 basis points in correlation with the rising rate environment and new loans booked at higher rates as well as the repricing of adjustable-rate loans. Interest expense on deposits increased by \$5.6 million, while the average deposit balances increased by \$42.5 million, driven by increases of \$77.9 million in money market balances and \$27.4 million in retail time deposits, partially offset by decreases in savings balances of \$50.1 million. Interest expense on short-term borrowings increased by \$0.9 million due to the Bank's utilization of the BTFP in January 2024. The increased interest expense resulted in an overall increase of 99 basis points on interest bearing liabilities. The net interest margin for the six months ended June 30, 2024 was 3.31% compared to 3.39% for the six months ended June 30, 2023.

Other operating income, including net gains/(losses), gains, for the first second quarter of 2024 increased by \$0.5 million \$0.3 million when compared to the same period of 2023. The growth was driven by an increase of \$0.4 million \$0.3 million in wealth management income due to improving market conditions, increased annuity sales and growth in new and existing customer relationships. Gains on sales of mortgages declined slightly when comparing the second quarter of 2024 to the same time period of 2023 primarily due to reduced activity in the elevated interest rate environment. Other operating income on service charges and debit card income remained stable.

Other operating income for the six months ended June 30, 2024 increased by \$0.8 million when compared to the same period of 2023. This increase was primarily due to the \$0.8 million increase in wealth management income due to improving market conditions, increased annuity sales and growth in new and existing customer relationships. Service charge and debit card income were both stable when comparing the six months of 2024 to the six months of 2023.

Operating expenses increased/decreased by \$0.2 million in the first quarter of 2024 when compared to the first quarter of 2023. The increase/decrease was largely driven by related to a \$0.3 million increase in equipment and occupancy expense due to the accelerated depreciation expenses recognized in the first quarter of 2024 in conjunction with the resulting from branch closures in February 2024. This increase was late 2023 and a \$0.2 million decrease in check fraud related expenses. These decreases were partially offset by a \$0.1 million decrease \$0.4 million increase in salaries and employee benefits year over year due related to unusually high increased health insurance premiums recognized in the first quarter of 2023, offset by claims, higher salaries and benefits associated with normal merit increases effective April 1, 2023 April 1, 2024, and reduced loan origination costs due to lower loan production. Other increases in data processing and marketing expenses were offset by decreases in professional services, contract labor, telephone and other miscellaneous expenses.

For the six months ended June 30, 2024, non-interest expenses increased by \$0.1 million when compared to the six months ended June 30, 2023. Increases in salaries and employee benefits of \$0.2 million due to normal merit increases effective April 1, 2024, and increases in FDIC premiums, data processing, equipment and occupancy were offset by decreases in professional services, contract labor, investor relations and other miscellaneous expenses such as pension related expenses, check fraud and membership dues and licenses.

Net Interest Income

Net interest income is our largest source of operating revenue. Net interest income is the difference between the interest that we earn on our interest-earning assets and the interest expense we incur on our interest-bearing liabilities. For analytical and discussion purposes, net interest income is adjusted to a fully tax equivalent ("FTE") basis to facilitate performance comparisons between taxable and tax-exempt assets by increasing tax-exempt income by an amount equal to the federal income taxes that would have been paid if this income were taxable at the statutorily applicable rate. This is a non-GAAP disclosure and management believes it is not materially different than the corresponding GAAP disclosure.

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The tables below summarize net interest income for the three month six- and three-month periods ended March 31, 2024 June 30, 2024 and 2023.

(in thousands)	Non-GAAP				GAAP			
	Three Months Ended		Three Months Ended		Six Months Ended		GAAP	
	March 31,	March 31,	March 31,	March 31,	June 30,	June 30,	June 30,	June 30,
Interest income	\$ 21,955	\$ 18,056	\$ 21,898	\$ 17,829	\$45,126	\$38,253	\$45,011	\$37,801
Interest expense	8,086	3,311	8,086	3,311	15,961	9,109	15,961	9,109
Net interest income	\$ 13,869	\$ 14,745	\$ 13,812	\$ 14,518	\$29,165	\$29,144	\$29,050	\$28,692
Net interest margin %	3.12 %	3.53 %	3.10 %	3.48 %	3.31 %	3.39 %	3.29 %	3.34 %

(dollars in thousands)	Non-GAAP				GAAP			
	Three Months Ended		Three Months Ended		Six Months Ended		GAAP	
	March 31,	March 31,	March 31,	March 31,	June 30,	June 30,	June 30,	June 30,
Interest income	\$ 21,955	\$ 18,056	\$ 21,898	\$ 17,829	\$45,126	\$38,253	\$45,011	\$37,801
Interest expense	8,086	3,311	8,086	3,311	15,961	9,109	15,961	9,109
Net interest income	\$ 13,869	\$ 14,745	\$ 13,812	\$ 14,518	\$29,165	\$29,144	\$29,050	\$28,692
Net interest margin %	3.12 %	3.53 %	3.10 %	3.48 %	3.31 %	3.39 %	3.29 %	3.34 %

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The following tables set forth the average balances, net interest income and expense, and average yields and rates of our interest-earning assets and interest-bearing liabilities for the six- and three-month periods ended **March 31, 2024** **June 30, 2024** and 2023:

(in thousands)	Three Months Ended March 31,						Six Months Ended June 30,			
	2024		2023		2024		2023			
	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate	
Assets										
Loans	\$1,407,886	\$19,234	5.49 %	\$1,279,547	\$15,457	4.90 %	\$1,411,619	\$39,471	5.62 %	\$1,298,743
Investment Securities:										
Taxable	294,526	1,744	2.38 %	340,622	1,768	2.11 %	281,524	3,441	2.46 %	338,817
Non taxable	7,806	94	4.84 %	26,104	484	7.52 %	7,803	189	4.87 %	26,099
Total	302,332	1,838	2.45 %	366,726	2,252	2.49 %	289,327	3,630	2.52 %	364,916
Federal funds sold	63,843	758	4.78 %	40,092	307	3.11 %	65,251	1,795	5.53 %	62,361
Interest-bearing deposits with other banks	8,787	31	1.42 %	5,001	26	2.11 %	1,352	49	7.29 %	3,342
Other interest earning assets	5,107	94	7.40 %	1,632	14	3.48 %	4,248	181	8.57 %	3,069
Total earning assets	1,787,955	21,955	4.94 %	1,692,998	18,056	4.33 %	1,771,797	45,126	5.12 %	1,732,431
Allowance for loan losses	(17,696)			(14,816)			(17,940)			(15,905)
Non-earning assets	188,425			213,929			201,873			172,461
Total Assets	\$1,958,684			\$1,892,111			\$1,955,730			\$1,888,987
Liabilities and Shareholders' Equity										
Interest-bearing demand deposits	\$ 348,998	\$ 1,441	1.66 %	\$ 353,072	\$ 888	1.02 %	\$ 361,358	\$ 2,937	1.63 %	\$ 365,491
Interest-bearing money markets	322,965	3,260	4.06 %	340,128	1,298	1.55 %				
Interest-bearing money markets - Retail							392,164	6,774	3.47 %	314,246
Interest-bearing money markets - Brokered							55	1	3.66 %	—
Savings deposits	189,572	48	0.10 %	246,708	79	0.13 %	186,280	94	0.10 %	236,383
Time deposits - Retail	157,678	1,118	2.85 %	118,667	281	0.96 %	152,049	2,134	2.82 %	124,684
Time deposits - Brokered	30,000	399	5.35 %	10,180	132	5.26 %	27,198	724	5.35 %	35,771
Short-term borrowings	73,351	461	2.53 %	57,364	31	0.22 %	72,626	970	2.69 %	52,332
Long-term borrowings	103,017	1,359	5.31 %	43,373	602	5.63 %	86,973	2,327	5.38 %	77,338
Total interest-bearing liabilities	1,225,581	8,086	2.65 %	1,169,492	3,311	1.15 %	1,278,703	15,961	2.51 %	1,206,245
Non-interest-bearing deposits	534,412			545,215			478,655			497,226
Other liabilities	34,747			27,988			33,624			30,497
Shareholders' Equity	163,944			149,416			164,748			155,019
Total Liabilities and Shareholders' Equity	\$1,958,684			\$1,892,111			\$1,955,730			\$1,888,987
Net interest income and spread		\$13,869	2.29 %		\$14,745	3.18 %		\$29,165	2.61 %	
Net interest margin			3.12 %			3.53 %			3.31 %	

- (1) The above table reflects the average rates earned or paid stated on an FTE basis assuming a 21% tax rate for 2024 and 2023. Non-GAAP interest income on a fully taxable equivalent for the **three-month** **six-month** periods ended **March 31, 2024** **June 30, 2024** and 2023 was **\$57** **\$116** and **\$227**, **\$452**, respectively.
- (2) Net interest margin is calculated as net interest income divided by average earning assets.
- (3) The average yields on investments are based on amortized cost.

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(dollars in thousands)	Three Months Ended					
	2024			2023		
	Average Balance	Average Interest	Average Yield/Rate	Average Balance	Average Interest	Average Yield/Rate
Assets						
Loans	\$ 1,415,353	\$ 20,237	5.75 %	\$ 1,317,728	\$ 16,794	5.11 %
Investment Securities:						
Taxable	268,522	1,697	2.54 %	337,032	1,779	2.12 %
Non taxable	7,800	95	4.90 %	26,093	479	7.36 %
Total	276,322	1,792	2.61 %	363,125	2,258	2.49 %
Federal funds sold	66,658	1,037	6.26 %	84,629	1,102	5.22 %
Interest-bearing deposits with other banks	2,194	18	3.30 %	1,735	19	4.46 %
Other interest earning assets	3,390	87	10.32 %	4,490	24	2.23 %
Total earning assets	1,763,917	23,171	5.28 %	1,771,707	20,197	4.57 %
Allowance for loan losses	(18,184)			(16,982)		
Non-earning assets	198,749			175,369		
Total Assets	\$ 1,944,482			\$ 1,930,094		
Liabilities and Shareholders' Equity						
Interest-bearing demand deposits	\$ 369,835	\$ 1,496	1.63 %	\$ 377,773	\$ 1,132	1.20 %
Interest-bearing money markets - Retail	400,747	3,514	3.53 %	304,322	1,809	2.38 %
Interest-bearing money markets - Brokered	111	1	3.62 %	—	—	—
Savings deposits	182,988	46	0.10 %	226,172	56	0.10 %
Time deposits - retail	146,420	1,016	2.79 %	130,634	552	1.69 %
Time deposits - brokered	24,396	325	5.36 %	61,081	801	5.26 %
Short-term borrowings	71,900	509	2.85 %	47,356	29	0.25 %
Long-term borrowings	70,929	968	5.49 %	110,929	1,419	5.13 %
Total interest-bearing liabilities	1,267,326	7,875	2.50 %	1,258,267	5,798	1.85 %
Non-interest-bearing deposits	479,232			484,952		
Other liabilities	32,884			31,517		
Shareholders' Equity	165,040			155,358		
Total Liabilities and Shareholders' Equity	\$ 1,944,482			\$ 1,930,094		
Net interest income and spread	\$ 15,296	2.78 %		\$ 14,399	2.72 %	
Net interest margin		3.49 %			3.26 %	

(1) The above table reflects the average rates earned or paid stated on an FTE basis assuming a 21% tax rate for 2024 and 2023. Non-GAAP interest income on a fully taxable equivalent for the three-month periods ended June 30, 2024 and 2023 was \$58 and \$225, respectively.

(2) Net interest margin is calculated as net interest income divided by average earning assets.

(3) The average yields on investments are based on amortized cost.

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Net interest income, on a non-GAAP, FTE basis, decreased increased by \$0.9 million for the first second quarter of 2024 when compared to the first second quarter of 2023. This decrease increase was driven by an a \$3.0 million increase of \$4.8 million in interest expense due to an increase of 133

basis points on interest paid on deposit accounts. The average balances decreased by \$39.4 million when compared to the first quarter of 2023 due primarily to the increased deposit pricing pressures that began in the first quarter of 2023 as a result of the bank failures in March 2023 and liquidity fears in the market. Interest income increased by \$3.9 million. Interest income on loans increased by \$3.8 million \$3.4 million due to the increase in average balances of 59 \$97.6 million and a 64 basis points point increase in the overall yield on the loan portfolio as new loans were booked at higher rates and as well as adjustable-rate loans repriced repricing in correlation to the rising rate environment and an increase in average balances of \$128.3 million. Investment income decreased by \$0.4 million \$0.5 million due to a decrease of \$64.4 million \$86.8 million in average balances related to the balance sheet restructuring of our investment portfolio in the fourth quarter of 2023 and the maturity of \$30.0 million of \$37.5 million in U.S. Treasury bonds. bonds in the first four months of 2024. The overall yield on the investment portfolio increased by 12 basis points primarily driven by the increased rate on the trust preferred portfolio and the maturity and sale of lower rate investments. Interest expense increased by \$2.1 million year over year due to an increase of 70 basis points on interest paid on deposit accounts. The average deposit balances increased by \$24.5 million when compared to the second quarter of 2023 due primarily to the increase of \$96.4 million in money market account, which was partially offset by decreases of \$43.2 million and \$36.7 million in average savings deposits and average time deposits, respectively.

Comparing the six months ended June 30, 2024 to the six months ended June 30, 2023, net interest income, on a non-GAAP, FTE basis, was stable. Interest income increased by \$6.9 million. Average loan balances increased by \$112.9 million and the overall yield increased by 61 basis points in correlation with the rising rate environment and new loans booked at higher rates as well as the repricing of adjustable-rate loans. Interest expense on deposits increased by \$5.6 million while the average deposit balances increased by \$42.5 million, driven by increases of \$77.9 million in money market balances and \$27.4 million in retail time deposits, partially offset by decreases in savings balances of \$50.1 million. Interest expense on short-term borrowings increased by \$0.9 million due to the Bank's utilization of the BTFP in January 2024. The increased interest expense resulted in an overall increase of 99 basis points on interest bearing liabilities. The net interest margin for the three six months ended March 31, 2024 June 30, 2024 was 3.12% 3.31% compared to 3.53% 3.39% for the three six months ended March 31, 2023 June 30, 2023. Excluding the reversal of \$0.4 million of interest and fees on loans related to the movement of \$12.1 million of loans to non-accrual, the net interest margin would have been 3.21%.

The following table sets forth an analysis of volume and rate changes in interest income and interest expense for our average interest-earning assets and average interest-bearing liabilities for the six- and three-month periods ended March 31, 2024 June 30, 2024 and 2023:

(in thousands and tax equivalent basis)	For the Three months ended March 31, 2024			For the six months ended June 30, 2024		
	compared to the Three months ended March 31, 2023			compared to the six months ended June 30, 2023		
	Volume	Rate	Net	Volume	Rate	Net
Interest Income:						
Loans	\$ 1,572	\$ 2,205	\$ 3,777	\$ 2,828	\$ 4,392	\$ 7,220
Taxable Investments	(243)	219	(24)	(604)	498	(106)
Non-taxable Investments	(344)	(46)	(390)	(681)	(93)	(774)
Federal funds sold	185	266	451	66	320	386
Interest-bearing deposits	20	(15)	5	(27)	31	4
Other interest earning assets	30	50	80	15	128	143
Total interest income	<u>1,220</u>	<u>2,679</u>	<u>3,899</u>	<u>1,597</u>	<u>5,276</u>	<u>6,873</u>
Interest Expense:						
Interest-bearing demand deposits	(10)	563	553	(23)	939	916
Interest-bearing money markets	(66)	2,028	1,962			
Interest-bearing money markets- retail				775	2,892	3,667
Interest-bearing money markets- brokered				1	0	1
Savings deposits	(18)	(13)	(31)	(30)	(11)	(41)
Time deposits - Retail	94	743	837			
Time deposits - Brokered	261	6	267			
Time deposits - retail				185	1,117	1,302
Time deposits - brokered				(225)	16	(209)
Short-term borrowings	9	421	430	23	887	910
Long-term borrowings	840	(83)	757	254	52	306
Total interest expense	<u>1,110</u>	<u>3,665</u>	<u>4,775</u>	<u>960</u>	<u>5,892</u>	<u>6,852</u>
Net interest income	<u>\$ 110</u>	<u>\$ (986)</u>	<u>\$ (876)</u>	<u>\$ 637</u>	<u>\$ (616)</u>	<u>\$ 21</u>

(1) The change in interest income/expense due to both volume and rate has been allocated to volume and rate changes in proportion to the relationship of the absolute dollar amounts of the change in each.

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(in thousands and tax equivalent basis)	For the Three months ended June 30, 2024 compared to the Three months ended June 30, 2023					
	Volume		Rate		Net	
	\$		\$		\$	
Interest Income:						
Loans	\$	1,247	\$	2,196	\$	3,443
Taxable Investments		(363)		281		(82)
Non-taxable Investments		(337)		(47)		(384)
Federal funds sold		(235)		170		(65)
Interest-bearing deposits		5		(6)		(1)
Other interest earning assets		(6)		69		63
Total interest income		311		2,663		2,974
Interest Expense:						
Interest-bearing demand deposits		(24)		388		364
Interest-bearing money markets- retail		574		1,131		1,705
Interest-bearing money markets- brokered		1		0		1
Savings deposits		(11)		1		(10)
Time deposits - retail		67		397		464
Time deposits - brokered		(482)		6		(476)
Short-term borrowings		15		465		480
Long-term borrowings		(513)		62		(451)
Total interest expense		(373)		2,450		2,077
Net interest income	\$	684	\$	213	\$	897

(1)

Provision for Credit Losses

Specific allocations have been made for loans where management has determined that the collateral supporting the loans is not adequate to cover the loan balance, and the qualitative factors affecting the estimated allowance for credit losses ("ACL") have been adjusted based on the current economic environment and the characteristics of the loan portfolio. Net For the first six months of 2024 and 2023, net provision expense was \$2.1 million and \$0.9 million for, respectively. For the three month period ended March 31, 2024 compared to second quarters of 2024 and 2023, net provision expense of \$0.5 million was \$1.2 million and three month period ended March 31, 2023, \$0.4 million, respectively. The increased provision expense recorded in the 2024 period was primarily related to increases \$1.1 million in charge-offs related to one non-accrual commercial and industrial loan relationship and was partially offset by improving qualitative risk factors of our commercial and industrial portfolio, as two large relationships moved to non-accrual status during the quarter. loan portfolio.

Other Income

The composition of other operating income for the six- and three-month periods ended March 31, 2024, June 30, 2024 and 2023 is illustrated in the following table:

(in thousands)	Income as % of Total Other Income		Income as % of Total Other Income		Income as % of Total Other Income	
			Six Months Ended June 30,		Three Months Ended June 30,	
	2024	2023	2024	2023	2024	2023

Service charges on deposit accounts	\$ 556	12%	\$ 516	12%	\$1,112	12%	\$1,062	12%	\$ 556	12%	\$ 546	12%
Other service charges	215	4%	232	5%	440	5%	476	5%	225	5%	244	6%
Trust department	2,188	46%	1,970	46%	4,443	46%	3,995	46%	2,255	47%	2,025	45%
Debit card income	932	19%	955	22%	1,931	20%	1,986	23%	999	21%	1,031	23%
Bank owned life insurance	326	7%	305	7%	660	7%	616	7%	334	7%	311	7%
Brokerage commissions	495	10%	297	7%	857	9%	555	6%	362	7%	258	6%
Other income	81	2%	64	1%	132	1%	132	1%	51	1%	68	1%
	<u>\$ 4,793</u>	<u>100%</u>	<u>\$ 4,339</u>	<u>100%</u>	<u>\$9,575</u>	<u>100%</u>	<u>\$8,822</u>	<u>100%</u>	<u>\$4,782</u>	<u>100%</u>	<u>\$4,483</u>	<u>100%</u>

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Other Operating Expenses

The composition of other operating expenses for the three month six- and three-month periods ended **March 31, 2024**, **June 30, 2024** and 2023 is illustrated in the following table:

(in thousands)	Expense as % of			
	Total Other Operating Expenses			
	2024		2023	
Salaries and employee benefits	\$ 7,157	56%	\$ 7,296	58%
FDIC premiums	269	2%	193	1%
Equipment	923	7%	780	6%
Occupancy expense of premises	954	8%	785	6%
Data processing expense	1,318	10%	1,306	10%
Marketing expense	134	1%	120	1%
Professional services	486	4%	494	4%
Contract labor	183	1%	134	1%
Telephone	109	1%	110	1%
Other real estate owned	86	1%	124	1%
Investor relations	53	0%	83	1%
Contributions	50	0%	64	1%
Other	1,159	9%	1,149	9%
	<u>\$ 12,881</u>	<u>100%</u>	<u>\$ 12,638</u>	<u>100%</u>

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(in thousands)	Expense as % of				Expense as % of			
	Total Other Operating Expenses				Total Other Operating Expenses			
	Six Months Ended		Three Months Ended		Six Months Ended		Three Months Ended	
	June 30,		June 30,		June 30,		June 30,	
Salaries and employee benefits	2024	2023	2024	2023	2024	2023	2024	2023
\$ 14,413	57%	\$ 14,166	56%	\$ 7,256	59%	\$ 6,870	55%	

FDIC premiums	554	2%	470	2%	285	2%	277	2%
Equipment	1,558	6%	1,527	6%	635	5%	747	6%
Occupancy expense of premises	1,606	6%	1,527	6%	652	5%	742	6%
Data processing expense	2,740	11%	2,612	10%	1,422	11%	1,306	10%
Marketing expense	318	1%	280	1%	184	1%	160	1%
Professional services	935	4%	1,014	4%	449	4%	520	4%
Contract labor	267	1%	291	1%	84	1%	157	1%
Telephone	212	1%	226	1%	103	1%	116	1%
Other real estate owned	100	0%	142	1%	14	0%	18	0%
Investor relations	144	1%	206	1%	91	1%	123	1%
Contributions	116	1%	143	1%	66	1%	79	1%
Other	2,282	9%	2,545	10%	1,123	9%	1,396	12%
	<u>\$ 25,245</u>	<u>100%</u>	<u>\$ 25,149</u>	<u>100%</u>	<u>\$ 12,364</u>	<u>100%</u>	<u>\$ 12,511</u>	<u>100%</u>

Provision for Income Taxes

In reporting interim financial information, income tax provisions should be determined under the procedures set forth in Financial Accounting Standards Board's Accounting Standards Codification ("ASC") Topic 740, *Income Taxes* (Section 740-270-30). This guidance provides that at the end of each interim period, an entity should make its best estimate of the effective tax rate expected to be applicable for the full fiscal year. The rate so determined should be used in providing for income taxes on a current year-to-date basis. The effective tax rate should reflect anticipated investment tax credits, capital gains rates, and other available tax planning alternatives. In arriving at this effective tax rate, however, no effect should be included for the tax related to significant, unusual or extraordinary items that will be separately reported or reported net of their related tax effect in reports for the interim period or for the fiscal year.

The effective income tax rates as a percentage of income for the three-month six month periods ended **March 31, 2024** **June 30, 2024** and **March 31, 2023** **June 30, 2023** were **23.9%** **24.3%** and **23.6%** **24.0%**, respectively.

Non-GAAP Financial Measures

The Corporation believes that certain non-GAAP financial measures are meaningful because they reflect adjustments commonly made by management, investors, regulators and analysts to evaluate performance trends and the adequacy of common equity. This non-GAAP disclosure has limitations as an analytical tool, should not be viewed as a substitute for performance and financial condition measures determined in accordance with GAAP, and should not be considered in isolation or as a substitute for analysis of results as reported under GAAP, nor is it necessarily comparable to non-GAAP performance measures that may be presented by other companies.

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The following table presents a reconciliation of net income and diluted earnings per share (as reported) to adjusted net income and adjusted diluted earnings per share:

(in thousands, except for per share amount)	Three months ended March 31,		Six months			
	2024	2023	Three months	ended June	30,	30,
Net income - as reported	\$ 3,698	\$ 4,375	\$ 4,914	\$ 4,414	\$ 8,612	\$ 8,789
Adjustments:						
Accelerated depreciation expenses	562	—	—	—	562	—
Income tax effect of adjustments	(137)	—	—	—	(137)	—



Adjusted net income (non-GAAP)	\$ 4,123	\$ 4,375	\$ 4,914	\$ 4,414	\$ 9,037	\$ 8,789
Diluted earnings per share - as reported	\$ 0.56	\$ 0.65	\$ 0.75	\$ 0.66	\$ 1.31	\$ 1.31
Adjustments:						
Accelerated depreciation expenses	0.08	—	—	—	0.08	—
Income tax effect of adjustments	(0.02)	—	—	—	(0.02)	—
Adjusted basic and diluted earnings per share (non-GAAP)	\$ 0.62	\$ 0.65	\$ 0.75	\$ 0.66	\$ 1.37	\$ 1.31
Significant Ratios:						
Return on Average Assets - as reported	0.76%	0.94%	0.89%	0.95%		
Accelerated depreciation expenses	0.12%	—	0.12%	—		
Income tax effect of adjustments	(0.03%)	—	(0.03%)	—		
Adjusted Return on Average Assets (non-GAAP)	0.85%	0.94%	0.98%	0.95%		
Return on Average Equity - as reported	9.07%	11.87%	10.51%	11.43%		
Accelerated depreciation expenses	1.38%	—	1.38%	—		
Income tax effect of adjustments	(0.34%)	—	(0.34%)	—		
Adjusted Return on Average Equity (non-GAAP)	10.11%	11.87%	11.55%	11.43%		

FINANCIAL CONDITION

Balance Sheet Overview

Total assets at **March 31, 2024** **June 30, 2024** were \$1.9 billion, representing a **\$7.1 million increase** **\$37.3 million decrease** since December 31, 2023. During the first **quarter** **six months** of 2024, cash and interest-bearing deposits in other banks **increased** **decreased** by **\$37.2 million** **\$4.7 million**. The investment portfolio decreased by **\$32.8 million** **\$44.3 million** due to the maturities of **\$30.0 million** **\$37.5 million** of U.S. Treasury bonds during the **quarter** **year** and normal principal **amortization**. **amortization** of our mortgage-backed securities ("MBS") portfolio. Gross loans increased by **\$5.7 million**, **\$16.3 million** and other real estate owned ("OREO") decreased by **\$1.5 million** due to sales of OREO properties. Other assets, including deferred taxes, premises and equipment, and accrued interest receivable, **remained stable**, **decreased** by **\$2.7 million**.

Total liabilities at **March 31, 2024** **June 30, 2024** were \$1.7 billion, representing a **\$3.5 million increase** **\$39.6 million decrease** since December 31, 2023. Total deposits **increased** **decreased** by **\$12.5 million** **\$13.9 million** when compared to December 31, 2023. The **increase** **decrease** in deposits was **primarily** attributable to **decreases** in savings deposits of \$11.2 million, and retail time deposits of \$22.1 million, as well as the repayment of \$15.0 million in brokered certificates of deposits, partially offset by increases in demand deposits of \$22.2 million and money markets of \$16.0 million. Short-term borrowings increased by \$17.1 million since December 31, 2023 due to the Bank's utilization of the BTFP to obtain \$40.0 million in borrowings during January 2024 at a rate of 4.87% with a one-year maturity. The increase from the BTFP funding was partially offset by the shift of \$10.0 million approximately \$22.0 million in overnight investment sweep balances to the **IntraFi Cash Service ("ICS")** ICS product as a result of management's strategy to release pledging of investment securities for municipalities to increase available liquidity. Short term borrowings increased by \$34.1 million since December 31, 2023 due primarily to the Bank's utilization of the FRB's Bank Term Funding Program ("BTFP") to obtain \$40.0 million in borrowings during January 2024 at a rate of 4.87% with a one-year maturity. There are no prepayment penalties associated with early payments on the BTFP borrowings. Long-term borrowings decreased by \$40.0 million in the first **quarter** **six month** of 2024 when compared to December 31, 2023 due to the repayment of \$40.0 million in **Federal Home Loan Bank ("FHLB")** FHLB borrowings that matured at its maturity in the first quarter of 2024.

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Loan Portfolio

The following table presents the composition of our loan portfolio at the dates indicated:

(in thousands)	March 31, 2024		December 31, 2023		June 30, 2024		December 31, 2023	
Commercial real estate	\$ 492,819	35%	\$ 493,703	35%	\$ 501,016	35%	\$ 493,703	35%
Acquisition and development	83,424	6%	77,060	5%	88,214	6%	77,060	5%
Commercial and industrial	274,722	19%	274,604	20%	265,671	19%	274,604	20%
Residential mortgage	501,990	36%	499,871	36%	511,109	36%	499,871	36%
Consumer	59,372	4%	61,429	4%	56,965	4%	61,429	4%
Total Loans	<u>\$ 1,412,327</u>	<u>100%</u>	<u>\$ 1,406,667</u>	<u>100%</u>	<u>\$1,422,975</u>	<u>100%</u>	<u>\$1,406,667</u>	<u>100%</u>

Outstanding loans of \$1.4 billion at **March 31, 2024** **June 30, 2024** reflected growth of **\$5.7 million** **\$16.3 million** for the first **quarter** **six months** of 2024. Since December 31, 2023, commercial real estate loans **decreased** **increased** by **\$0.9 million** **\$7.3 million** and acquisition and development loans increased by **\$6.4 million** **\$11.2 million**. Commercial and industrial loans **increased** **decreased** by **\$0.1 million** **\$8.9 million**, driven by the repayment of **\$5.5 million** of a non-accrual loan late in second quarter and the **\$1.1 million** charge-off of a non-accrual equipment loan. Residential mortgage loans increased by **\$2.1 million**, offset **\$11.2 million** and consumer loans decreased by a decline of **\$2.1 million** in the consumer loan portfolio related to new production offset by monthly amortization. **\$4.5 million**.

New commercial loan production for the three months ended **March 31, 2024** **June 30, 2024** was approximately **\$28.3** **\$36.9 million**. The **\$64.9 million** in the pipeline of commercial loans **was robust as of March 31, 2024** was **\$30.9 million** **June 30, 2024**. At **March 31, 2024** **June 30, 2024**, unfunded, committed commercial construction loans totaled approximately **\$8.2 million** **\$12.6 million**. Commercial amortization and payoffs were approximately **\$35.5 million** **\$51.6 million** through **March 31, 2024** **June 30, 2024**, due primarily to pay-offs of short-term commercial loans as well as normal amortizations of the commercial loan portfolio.

New consumer mortgage loan production for the **first** **second** quarter of 2024 was approximately **\$11.2 million** **\$19.1 million**, with most of this production comprised of **in-house** **portfolio** mortgages. The pipeline of in-house, portfolio loans as of **March 31, 2024** **June 30, 2024** was **\$9.8 million** **\$19.4 million**. The residential mortgage production level **declined** **increased** in the **first** **second** quarter of 2024 due to the **higher interest rates and seasonality** of this line of **business**, **business**, particularly **construction lending**. Unfunded commitments related to residential construction loans totaled **\$13.9 million** **\$13.5 million** at **March 31, 2024** **June 30, 2024**. Management chose to shift activity to the secondary market in the first quarter of 2024 to preserve liquidity.

Non-accrual loans totaled **\$16.0 million** **\$9.4 million** at **March 31, 2024** **June 30, 2024** compared to **\$4.0 million** at December 31, 2023. The increase in non-accrual balances at **March 31, 2024** **June 30, 2024** was related to two commercial and industrial loan relationships totaling **\$12.1 million** that were **classified as substandard** at December 31, 2023 and moved to non-accrual during the first quarter. Management believes that these loans are **marked appropriately**, quarter of 2024. The reduction in non-accrual balances during the second quarter of 2024 is related to a borrower's decision to sell a piece of collateral and our credit department is actively working with these borrowers to reduce outstanding balances by approximately **\$5.5 million** and the charge-off of **\$1.1 million** on work-out plans, another commercial and industrial credit.

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The following table presents loans in our commercial real estate portfolio by industry type at **March 31, 2024** **June 30, 2024**.

(in thousands)	Non-owner-occupied	Owner-occupied	Multi-family	Total	Non-owner-occupied	Owner-occupied	Multi-family	Total
Accommodations and food services	\$ 75,713	\$ 4,964	\$ —	\$ 80,677	\$ 75,083	\$ 4,704	\$ —	\$ 79,787

Administration and support, waste management, and remediation services	—	1,450	—	1,450	—	1,437	—	1,437
Agriculture, forestry, fishing and hunting	—	2,201	—	2,201	—	2,201	—	2,201
Arts, entertainment and recreation	—	3,090	—	3,090	—	4,552	—	4,552
Construction	2,237	6,219	4	8,460	2,067	5,912	8	7,987
Educational services	—	938	—	938	—	917	—	917
Finance and insurance	—	108	—	108	—	108	—	108
Health care and social assistance	4,773	11,523	—	16,296	6,599	11,631	—	18,230
Management of companies and enterprises	—	2,799	—	2,799	—	2,770	—	2,770
Manufacturing	—	6,921	—	6,921	—	6,536	—	6,536
Other services (except public services)	2,271	18,017	317	20,605	2,250	17,496	314	20,060
Professional, scientific and technical services	—	2,450	—	2,450	—	2,502	—	2,502
Public administration	1,507	1,055	—	2,562	1,492	1,024	—	2,516
Commercial rental properties	184,453	77,872	—	262,325	184,705	85,046	—	269,751
Residential rental properties	507	337	26,416	27,260	502	136	28,428	29,066
Student rental properties	—	—	4,761	4,761	—	—	2,734	2,734
Mixed use rental properties	148	238	17,774	18,160	145	537	17,640	18,322
Storage units	18,436	—	—	18,436	18,237	—	—	18,237
Real estate rental and leasing- other	4,670	3,478	417	8,565	4,561	3,280	411	8,252
Retail trade	—	3,277	—	3,277	6	3,766	—	3,772
Transportation and warehousing	—	511	—	511	—	473	—	473
Wholesale trade	—	967	—	967	—	806	—	806
Total	\$ 294,715	\$ 148,415	\$ 49,689	\$ 492,819	\$ 295,647	\$ 155,834	\$ 49,535	\$ 501,016

Our loan portfolio does not consist of any loans secured by office buildings located in major metropolitan areas or that are over four stories or any retail properties rented to major big box retail tenants. There have been no significant changes in our commercial real estate concentrations since December 31, 2023.

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Risk Elements of Loan Portfolio

The following table presents the risk elements of our loan portfolio at the dates indicated. Management is not aware of any potential problem loans other than those listed in this table or discussed below.

(in thousands)	March 31, 2024		December 31, 2023		March 31, 2024		December 31, 2023	
	Applicable Portfolio	2024	Applicable Portfolio	2023	Applicable Portfolio	2024	Applicable Portfolio	2023
Non-accrual loans:								
Commercial real estate	\$ 818	0.17%	\$ 826	0.17%	\$ 599	0.12%	\$ 826	0.17%
Acquisition and development	105	0.13%	113	0.15%	97	0.11%	113	0.15%
Commercial and industrial	12,093	4.40%	—	0.00%	6,185	2.33%	—	0.00%
Residential mortgage	2,863	0.57%	2,988	0.60%	2,468	0.48%	2,988	0.60%
Consumer	128	0.22%	29	0.05%	89	0.16%	29	0.05%
Total non-accrual loans	\$ 16,007	1.13%	\$ 3,956	0.28%	\$ 9,438	0.66%	\$ 3,956	0.28%
Accruing Loans Past Due 90 days or more:								
Commercial and industrial					\$ 1		\$ —	
Residential mortgage	\$ 76		\$ 459		498		459	

Consumer	44	84	27	84
Total loans past due 90 days or more	\$ 120	\$ 543	\$ 526	\$ 543
Total non-accrual and accruing loans past due 90 days or more	\$ 16,127	\$ 4,499	\$ 9,964	\$ 4,499
Other real estate owned	\$ 4,402	\$ 4,493	\$ 2,978	\$ 4,493
Total Non-performing assets	\$ 20,529	\$ 8,992	\$ 12,942	\$ 8,992
Individually evaluated loans without a valuation allowance	14,875	2,963	\$ 8,616	\$ 2,963
Individually evaluated loans with a valuation allowance	—	—	153	—
Total individually evaluated loans	\$ 14,875	\$ 2,963	\$ 8,769	\$ 2,963
Non-accrual loans to total loans (as %)	1.13%	0.28%	0.66%	0.28%
Non-performing loans to total loans (as %)	1.14%	0.32%	0.70%	0.32%
Non-performing assets to total assets (as %)	1.07%	0.47%	0.69%	0.47%
Allowance for credit losses to non-accrual loans (as %)	112.34%	441.86%	189.90%	441.86%
Allowance for credit losses to non-performing assets (as %)	87.59%	194.40%	138.49%	194.40%

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Allowance for Credit Losses

The ACL represents an amount which, in management's judgment, is adequate to absorb expected credit losses over the life of outstanding loans as of the balance sheet date based on the evaluation of current risk characteristics of the loan portfolio, past events, current conditions, reasonable and supportable forecasts of future economic conditions and prepayment experience. The ACL is measured and recorded upon the initial recognition of a financial asset. The ACL is reduced by charge-offs, net of recoveries of previous losses, and is increased by a provision or decreased by a **recovery provision** for credit losses, which is recorded as a current period operating expense.

Determination of an appropriate ACL is inherently complex and requires the use of highly subjective estimates. The reasonableness of the ACL is reviewed quarterly by management.

Management believes it uses relevant information available to make determination about the ACL and that it has established the existing allowance in accordance with GAAP. However, the determination of the ACL requires significant judgment, and estimates of expected credit losses in the loan portfolio can vary from the amounts actually observed. While management uses available information to recognize expected credit losses, future additions to the ACL may be necessary based on changes in the loans comprising the portfolio, changes in the current and forecasted economic conditions, changes to the interest rate environment which may directly impact prepayment and curtailment rate assumptions, and changes in the financial condition of borrowers.

The ACL "base case" model is derived from various economic forecasts provided by widely recognized sources. Management evaluates the variability of market conditions by examining the peak and trough of economic cycles. These peaks and troughs are used to stress the base case model to develop a range of potential outcomes. Management then determines the appropriate reserve through an evaluation of these various outcomes relative to current economic conditions and known risks in the portfolio. Management enhances its calculation with the use of Moody's economic forecast data to provide additional support to substantiate its ACL.

The following table presents a summary of the activity in the ACL for the **three-month** **six-month** periods ended **March 31**, **June 30, 2024** and **2023**:

(in thousands)	2024	2023	2024	2023
Balance, January 1	\$ 17,480	\$ 14,636	\$ 17,480	\$ 14,636
Impact of CECL Adoption	—	2,066	—	2,066

Charge-offs:					
Commercial real estate					— (87)
Commercial and industrial	(112)		—	(1,230)	(166)
Residential mortgage	—		(6)	(45)	(24)
Consumer	(506)		(333)	(824)	(518)
Total charge-offs	(618)		(339)	(2,099)	(795)
Recoveries:					
Commercial real estate	37		5	37	5
Acquisition and development	3		5	6	7
Commercial and industrial	31		4	34	9
Residential mortgage	18		18	26	36
Consumer	70		62	227	93
Total recoveries	159		94	330	150
Net losses	(459)		(245)	(1,769)	(645)
Credit/loan loss expense	961		414	2,212	848
Balance at end of period	\$ 17,982		\$ 16,871	\$ 17,923	\$ 16,905
Allowance for credit losses to gross loans outstanding (as %)		1.27 %	1.31 %	1.26 %	1.25 %

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	2024	2023	2024	2023	Net (Charge-offs)/Recoveries as a % of Average Applicable Portfolio
Commercial real estate	0.03%	0.00%	0.01% (0.04)%		
Acquisition and development	0.01%	0.03%	0.01% 0.02%		
Commercial and industrial	(0.12)%	0.01%	(0.89%)(0.13)%		
Residential mortgage	0.01%	0.01%	(0.01%) 0.01%		
Consumer	(2.89)%	(1.79%) (2.02%) (1.40)%			
Total	(0.13)%	(0.08%) (0.25%) (0.10)%			

Investment Securities

At **March 31, 2024** **June 30, 2024**, the total amortized cost basis of the available-for-sale investment portfolio was **\$116.8** **\$115.8** million compared to a fair value of **\$95.6 million** **\$93.0 million**. Unrealized gains and losses on available-for-sale securities are reflected in accumulated other comprehensive loss, a component of shareholders' equity. The amortized cost basis of the held to maturity portfolio was **\$183.2** **\$174.2** million compared to a fair value of **\$152.2** **\$143.0** million.

The following table presents the composition of our securities portfolio at amortized cost and fair values at the dates indicated:

(in thousands)	March 31, 2024			December 31, 2023			June 30, 2024			December 31, 2023		
	Amortized	Fair Value	FV as %	Amortized	Fair Value	FV as %	Amortized	Fair Value	FV as %	Amortized	Fair Value	
	Cost	(FV)	of Total	Cost	(FV)	of Total	Cost	(FV)	of Total	Cost	(FV)	
Available for Sale Securities:												
U.S. government agencies	\$ 7,000	\$ 6,019	6%	\$ 7,000	\$ 6,034	6%	\$ 7,000	\$ 6,035	6%	\$ 7,000	\$ 6,	

Residential mortgage-backed agencies	24,261	19,854	21%	24,781	20,563	21%	23,825	19,283	21%	24,781	20,
Commercial mortgage-backed agencies	36,082	27,916	28%	36,258	28,417	29%	35,901	27,308	29%	36,258	28,
Collateralized mortgage obligations	19,320	15,889	17%	19,725	16,356	17%	18,927	15,449	17%	19,725	16,
Obligations of state and political subdivisions	10,481	10,253	11%	10,486	10,312	11%	10,476	10,167	11%	10,486	10,
Corporate bonds	1,000	763	1%	1,000	778	1%	1,000	737	1%	1,000	
Collateralized debt obligations	18,651	14,886	16%	18,671	14,709	15%	18,660	13,975	15%	18,671	14,
Total available for sale	<u>\$116,795</u>	<u>\$ 95,580</u>	<u>100%</u>	<u>\$117,921</u>	<u>\$ 97,169</u>	<u>100%</u>	<u>\$115,789</u>	<u>\$ 92,954</u>	<u>100%</u>	<u>\$117,921</u>	<u>\$ 97,</u>
Held to Maturity Securities:											
U.S. treasuries	\$ 7,498	\$ 7,484	5%	\$ 37,462	\$ 37,219	20%	\$ —	\$ —	0%	\$ 37,462	\$ 37,
U.S. government agencies	68,085	56,642	37%	68,014	57,029	31%	68,157	56,783	40%	68,014	57,
Residential mortgage-backed agencies	29,258	25,883	17%	29,588	26,717	14%	28,841	25,324	17%	29,588	26,
Commercial mortgage-backed agencies	21,371	15,788	10%	21,413	16,052	9%	21,223	15,508	11%	21,413	16,
Collateralized mortgage obligations	52,364	42,348	28%	53,261	43,288	24%	51,513	41,445	29%	53,261	43,
Obligations of state and political subdivisions	4,605	4,080	3%	4,604	4,110	2%	4,508	3,970	3%	4,604	4,
Total held to maturity	<u>\$183,181</u>	<u>\$152,225</u>	<u>100%</u>	<u>\$214,342</u>	<u>\$184,415</u>	<u>100%</u>	<u>\$174,242</u>	<u>\$143,030</u>	<u>100%</u>	<u>\$214,342</u>	<u>\$184,</u>

Total fair value of investment securities available for sale decreased by **\$1.6** **\$4.2** million since December 31, 2023 due primarily to principal paydowns of the portfolio. At **March 31, 2024** **June 30, 2024**, the securities classified as available-for-sale included a net unrealized loss of **\$21.2** **\$22.8** million, which represents the difference between the fair value and amortized cost of securities in the portfolio.

Total amortized cost of securities held to maturity decreased by **\$31.2** **\$40.1** million since December 31, 2023 due primarily to the maturity of **\$30.0** **\$37.5** million in U.S. Treasury bonds and **\$1.2** **\$2.6** million in other principal paydowns of the portfolio. Proceeds from the maturities and principal paydowns were reinvested into cash at the Federal Reserve Bank of Richmond in anticipation of the \$40.0 million maturing FHLB advance.

As discussed in Note 6 to the consolidated financial statements presented elsewhere in this report, the Corporation measures fair market values based on the fair value hierarchy established in ASC Topic 820, *Fair Value Measurements and Disclosures*. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Level 3 prices or valuation techniques require

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inputs that are both significant to the valuation assumptions and are not readily observable in the market (i.e. supported with little or no market activity). These Level 3 instruments are valued based on both observable and unobservable inputs derived from the best available data, some of which is internally developed, and considers risk premiums that a market participant would require.

Approximately **\$80.7** **\$79.0** million of the available-for-sale portfolio was valued using Level 2 pricing and had net unrealized losses of **\$17.5** **\$18.2** million at **March 31, 2024** **June 30, 2024**. The remaining **\$14.9** **\$14.0** million of the securities available-for-sale represents the entire collateralized debt obligation portfolio, which was valued using significant unobservable inputs (Level 3 assets). The **\$3.8** **\$4.7** million in net unrealized losses associated with this portfolio relates to nine pooled trust preferred securities that comprise the collateralized debt obligation portfolio.

Deposits

The following table presents the composition of our deposits at the dates indicated:

(in thousands)	March 31, 2024		December 31, 2023		June 30, 2024		December 31, 2023	
	Balance	Percent	Balance	Percent	Balance	Percent	Balance	Percent
Non-interest-bearing demand deposits	\$ 422,759	27%	\$ 427,670	27%	\$ 423,970	28%	\$ 427,670	27%
Interest-bearing deposits:								
Demand	377,723	24%	350,860	23%	373,046	24%	350,860	23%
Money Market	392,933	25%	385,649	25%	401,628	26%	385,649	25%
Savings deposits	188,857	12%	191,265	12%	180,030	12%	191,265	12%

Time deposits- retail	151,181	10%	165,533	11%	143,397	9%	165,533	11%
Time deposits- brokered	30,000	2%	30,000	2%	15,000	1%	30,000	2%
Total Deposits	\$ 1,563,453	100%	\$ 1,550,977	100%	\$ 1,537,071	100%	\$ 1,550,977	100%

Total deposits at **March 31, 2024** increased **June 30, 2024** decreased by **\$12.5 million** **\$13.9 million** when compared to December 31, 2023. During the quarter, non-interest-bearing Non-interest-bearing deposits decreased by **\$4.9 million** **\$3.7 million**. Interest-bearing demand deposits increased by **\$26.9 million** **\$22.2 million**, primarily related to the shift of **\$10.0 million** approximately **\$22.0 million** in overnight investment sweep balances into the ICS product to maintain insurance through the Federal Deposit Insurance Corporation due to management's strategy to release pledging of investment securities for municipalities to increase available liquidity. Money market accounts increased by **\$7.3 million** **\$16.0 million** due primarily to the expansion of current relationships and new relationships during the **quarter** **first six months**. Traditional savings accounts decreased by **\$2.4 million** **\$11.3 million** and time deposits decreased by **\$14.4 million** **\$37.1 million**. The decrease in time deposits was primarily due to the maturing a decrease of **\$22.1 million** in retail Certificates of Deposit ("CDs") related to maturities of a nine-month special CD product that was offered by the Bank promotion in 2023 at higher rates, and the maturity and repayment of a **\$15.0 million** brokered CD. The Bank has worked closely with customers as these CDs mature to transition them to other deposit and wealth management products offered by the Bank.

The following table summarizes the percentage of deposits that are insured by deposit insurance or otherwise fully collateralized by securities compared to uninsured deposits as of **March 31, 2024** **June 30, 2024** and December 31, 2023.

(in thousands)	March 31, 2024		December 31, 2023		June 30, 2024		December 31, 2023	
	Balance	Percent	Balance	Percent	Balance	Percent	Balance	Percent
Insured deposits	\$ 1,198,898	77%	\$ 1,175,812	76%	\$ 1,192,648	78%	\$ 1,175,812	76%
Uninsured but collateralized deposits	81,271	5%	76,569	5%	65,235	4%	76,569	5%
Uninsured and uncollateralized deposits	283,284	18%	298,596	19%	279,188	18%	298,596	19%
	\$ 1,563,453	100%	\$ 1,550,977	100%	\$ 1,537,071	100%	\$ 1,550,977	100%

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The following table summarizes the percentage of deposit balances from retail customers compared to business customers as of **March 31, 2024** **June 30, 2024** and December 31, 2023.

(in thousands)	March 31, 2024		December 31, 2023		June 30, 2024		December 31, 2023	
	Balance	Percent	Balance	Percent	Balance	Percent	Balance	Percent
Retail deposits	\$ 763,657	49%	\$ 748,295	53%	\$ 760,735	49%	\$ 748,295	48%
Business deposits	799,796	51%	802,682	47%	776,336	51%	802,682	52%
	\$ 1,563,453	100%	\$ 1,550,977	100%	\$ 1,537,071	100%	\$ 1,550,977	100%

Borrowed Funds

The following table presents the composition of our borrowings at the dates indicated:

(in thousands)	March 31, 2024		December 31, 2023		June 30, 2024		December 31, 2023	
	2024	2023	2024	2023	2024	2023	2024	2023
Bank Term Funding Program	\$ 40,000	—	\$ 40,000	—	\$ 40,000	—	\$ 40,000	—
Securities sold under agreements to repurchase	\$ 39,494	\$ 45,418	\$ 22,564	\$ 45,418	\$ 22,564	\$ 45,418	\$ 22,564	\$ 45,418

Total short-term borrowings	79,494	45,418	62,564	45,418
FHLB advances	40,000	80,000	40,000	80,000
Junior subordinated debt	30,929	30,929	30,929	30,929
Total long-term borrowings	\$ 70,929	\$ 110,929	\$ 70,929	\$ 110,929

Short-term borrowings increased by \$34.1 million \$17.1 million as the Bank borrowed \$40.0 million from the BTFP in January 2024, which was partially offset by a decrease of \$5.9 million approximately \$22.0 million in other short-term borrowings related due primarily to the management's strategic decision to shift of \$10.0 million from a large municipality to municipal customers into the ICS deposit product. Long-term borrowings decreased by \$40.0 million as a \$40.0 million FHLB advance matured in March 2024 and was fully repaid. repaid utilizing proceeds from lower yielding investment maturities.

Liquidity Management

Liquidity is a financial institution's capability to meet customer demands for deposit withdrawals while funding all credit-worthy loans. The factors that determine the institution's liquidity are:

- Reliability and stability of core deposits;
- Cash flow structure and pledging status of investments; and
- Potential for unexpected loan demand.

We actively manage our liquidity position through regular meetings of a sub-committee of executive management, known as the Treasury Team, which looks forward 12 months at 30-day intervals. The measurement is based upon the projection of funds sold or purchased position, along with ratios and trends developed to measure dependence on purchased funds and core growth. Monthly reviews by management and quarterly reviews by the Asset and Liability Committee under prescribed policies and procedures are designed to ensure that we will maintain adequate levels of available funds.

It is our policy to manage our affairs so that liquidity needs are fully satisfied through normal Bank operations. That is, the Bank will manage its liquidity to minimize the need to make unplanned sales of assets or to borrow funds under emergency conditions. The Bank will use funding sources where the interest cost is relatively insensitive to market changes in the short run (periods of one year or less) to satisfy operating cash needs. The remaining normal funding will come from interest-sensitive liabilities, either deposits or borrowed funds. When the marginal cost of needed wholesale funding is lower than the cost of raising this funding in the retail markets, the Corporation may supplement retail funding with external funding sources such as:

1. Unsecured Fed Funds lines of credit with upstream correspondent banks (M&T Bank, Pacific Coast Banker's Bank, PNC Financial Services, Atlantic Community Bankers Bank, Community Bankers Bank and Zions National Bank).
2. Secured advances with the FHLB, which are collateralized by eligible one to four family residential mortgage loans, home equity lines of credit, and commercial real estate loans.

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3. Secured line of credit with the Fed Discount Window for use in borrowing funds up to 90 days, using municipal securities as collateral.
4. Brokered deposits, including CDs and money market funds, provide a method to generate deposits quickly. These deposits are strictly rate driven but often provide the most cost-effective means of funding growth.
5. One Way Buy CDARS/ICS funding – a form of brokered deposits that has become a viable supplement to brokered deposits obtained directly.
6. Bank Term Funding Program – A Federal Reserve program collateralized by government agency securities. The Bank obtained \$40.0 million in funds through the BTFP in January 2024 at a fixed rate of 4.87%

The following table presents sources of liquidity available to the Corporation as of **March 31, 2024** June 30, 2024.

(in thousands)	Total Availability	Amount Used	Net Availability	Total Availability	Amount Used	Net Availability
Internal Sources						
Excess cash	\$ 79,521	\$ -	\$ 79,521	\$ 25,003	\$ -	\$ 25,003
Unpledged securities	35,757	-	35,757	36,492	-	36,492
External Sources						
Federal Reserve (discount window)	31,776	-	31,776	29,748	-	29,748



Correspondent unsecured lines of credit	140,000	-	140,000	140,000	-	140,000
FHLB	235,475	42,914	192,561	253,300	42,914	210,386
Bank Term Funding Program	40,000	40,000	-	40,000	40,000	-
	\$ 562,529	\$ 82,914	\$ 479,615	\$ 524,543	\$ 82,914	\$ 441,629

Management is not aware of any demands, commitments, events or uncertainties that are likely to materially affect our ability to meet our future capital requirements.

Due to the market disruption and uncertainties, management implemented the Liquidity Contingency Plan in the first quarter and believes that we have adequate liquidity available to respond to current and anticipated liquidity demands and is not aware of any trends or demands, commitments, events or uncertainties that are likely to materially affect our ability to maintain liquidity at satisfactory levels.

Market Risk and Interest Sensitivity

Our primary market risk is interest rate fluctuation. Interest rate risk results primarily from the traditional banking activities that we engage in, such as gathering deposits and extending loans. Many factors, including economic and financial conditions, movements in interest rates and consumer preferences affect the difference between the interest earned on our assets and the interest paid on our liabilities. Interest rate sensitivity refers to the degree that earnings will be impacted by changes in the prevailing level of interest rates. Interest rate risk arises from mismatches in the repricing or maturity characteristics between interest-bearing assets and liabilities. Management seeks to minimize fluctuating net interest margins, and to enhance consistent growth of net interest income through periods of changing interest rates. Management uses interest sensitivity gap analysis and simulation models to measure and manage these risks. The interest rate sensitivity gap analysis assigns each interest-earning asset and interest-bearing liability to a time frame reflecting its next repricing or maturity date. The differences between total interest-sensitive assets and liabilities at each time interval represent the interest sensitivity gap for that interval. A positive gap generally indicates that rising interest rates during a given interval will increase net interest income, as more assets than liabilities will reprice. A negative gap position would benefit us during a period of declining interest rates.

At **March 31, 2024** **June 30, 2024**, we were asset sensitive.

Our interest rate risk management goals are:

- Ensure that the Board of Directors and senior management will provide effective oversight and ensure that risks are adequately identified, measured, monitored and controlled;

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- Enable dynamic measurement and management of interest rate risk;
- Select strategies that optimize our ability to meet our long-range financial goals while maintaining interest rate risk within policy limits established by the Board of Directors;
- Use both income and market value oriented techniques to select strategies that optimize the relationship between risk and return; and
- Establish interest rate risk exposure limits for fluctuation in net interest income ("NII"), net income and economic value of equity.

To manage interest sensitivity risk, management formulates guidelines regarding asset generation and pricing, funding sources and pricing, and off-balance sheet commitments. These guidelines are based on management's outlook regarding future interest rate movements, the state of the regional and national economy, and other financial and business risk factors. Management uses computer simulations to measure the effect on net interest income of various interest rate scenarios. Key assumptions used in the computer simulations include cash flows and maturities of interest rate sensitive assets and liabilities, changes in asset volumes and pricing, and management's capital plans. This modeling reflects interest rate changes and the related impact on net interest income over specified periods.

We evaluate the effect of a change in interest rates of +/-100 basis points to +/-400 basis points on both NII and Net Portfolio Value ("NPV") / Economic Value of Equity ("EVE"). We concentrate on NII rather than net income as long as NII remains the significant contributor to net income.

NII modeling allows management to view how changes in interest rates will affect the spread between the yield paid on assets and the cost of deposits and borrowed funds. Unlike traditional Gap modeling, NII modeling takes into account the different degree to which installments in the same

repricing period will adjust to a change in interest rates. It also allows the use of different assumptions in a falling versus a rising rate environment. The period considered by the NII modeling is the next eight quarters.

NPV / EVE modeling focuses on the change in the market value of equity. NPV / EVE is defined as the market value of assets less the market value of liabilities plus/minus the market value of any off-balance sheet positions. By effectively looking at the present value of all future cash flows on or off the balance sheet, NPV / EVE modeling takes a longer-term view of interest rate risk. This complements the shorter-term view of the NII modeling.

Measures of NII at risk produced by simulation analysis are indicators of an institution's short-term performance in alternative rate environments. These measures are typically based upon a relatively brief period, usually one year. They do not necessarily indicate the long-term prospects or economic value of the institution.

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Based on the simulation analysis performed at **March 31, 2024** **June 30, 2024** and December 31, 2023, management estimated the following changes in net interest income, assuming the indicated rate changes:

(in thousands)	March 31,		December	
	2024	2023	June 30, 2024	31, 2023
+400 basis points	\$ 3,074	\$ 4,464	\$ 2,619	\$ 4,464
+300 basis points	\$ 3,378	\$ 3,353	\$ 3,047	\$ 3,353
+200 basis points	\$ 2,992	\$ 2,255	\$ 2,785	\$ 2,255
+100 basis points	\$ 1,466	\$ 1,155	\$ 1,712	\$ 1,155
-100 basis points	\$ (1,576)	\$ (1,280)	\$ (1,855)	\$ (1,280)
-200 basis points	\$ (4,016)	\$ (3,102)	\$ (3,789)	\$ (3,102)
-300 basis points	\$ (6,021)	\$ (5,249)	\$ (5,635)	\$ (5,249)
-400 basis points	\$ (8,501)	\$ (8,086)	\$ (8,076)	\$ (8,086)

This estimate is based on assumptions that may be affected by unforeseeable changes in the general interest rate environment and any number of unforeseeable factors. Rates on different assets and liabilities within a single maturity category adjust to changes in interest rates to varying degrees and over varying periods of time. The relationships between lending rates and rates paid on purchased funds are not constant over time. Management can respond to current or anticipated market conditions by lengthening or shortening the Bank's sensitivity through loan repricings or changing its funding mix. The rate of growth in interest-free sources of funds will influence the level of interest-sensitive funding sources. In addition, the absolute level of interest rates will affect the volume of earning assets and funding sources. As a result of these limitations, the interest-sensitive gap is only one factor to be considered in estimating the net interest margin.

Management believes that no material changes in our market risks, our procedures used to evaluate and mitigate those risks, or our actual or simulated sensitivity positions have occurred since December 31, 2023. Our NII simulation analysis as of December 31, 2023 is included in Item 7 of Part II of our Annual Report on Form 10-K for the year ended December 31, 2023 under the heading "Market Risk and Interest Sensitivity."

Impact of Inflation – Our assets and liabilities are primarily monetary in nature, and as such, future changes in prices do not affect the obligations to pay or receive fixed and determinable amounts of money. During inflationary periods, monetary assets lose value in terms of purchasing power and monetary liabilities have corresponding purchasing power gains. The concept of purchasing power is not an adequate indicator of the impact of inflation on financial institutions because it does not incorporate changes in our earnings.

Capital Resources

We require capital to fund loans, satisfy our obligations under the Bank's letters of credit, meet the deposit withdrawal demands of the Bank's customers, and satisfy our other monetary obligations. To the extent that deposits are not adequate to fund our capital requirements, we can rely on the

funding sources identified above under the heading "Liquidity Management".

In addition to operational requirements, the Bank is subject to risk-based capital regulations, which were adopted and are monitored by federal banking regulators. These regulations are used to evaluate capital adequacy and require an analysis of an institution's asset risk profile and off-balance sheet exposures, such as unused loan commitments and stand-by letters of credit. **Based on capital ratios at March 31, 2024, the Bank was considered to be well-capitalized.**

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The following table presents the Bank's capital ratios as of the dates indicated:

	Required for				Required for			
	Capital		Required		June		December	
	March 31, 2024	December 31, 2023	Adequacy Purposes	to be Well Capitalized	30, 2024	31, 2023	Adequacy Purposes	to be Well Capitalized
Total Capital (to risk-weighted assets)	14.17 %	14.05 %	8.00 %	10.00 %	14.41 %	14.05 %	8.00 %	10.00 %
Tier 1 Capital (to risk-weighted assets)	12.92 %	12.81 %	6.00 %	8.00 %	13.16 %	12.81 %	6.00 %	8.00 %
Common Equity Tier 1 Capital (to risk-weighted assets)	12.92 %	12.81 %	4.50 %	6.50 %	13.16 %	12.81 %	4.50 %	6.50 %
Tier 1 Capital (to average assets)	10.08 %	9.92 %	4.00 %	5.00 %	10.47 %	9.92 %	4.00 %	5.00 %

As of both **March 31, 2024** **June 30, 2024** and December 31, 2023, the Bank was considered "well capitalized" under the regulatory framework for prompt corrective action.

Contractual Obligations, Commitments and Off-Balance Sheet Arrangements

Contractual Obligations

The Corporation enters into contractual obligations in the normal course of business. Among these obligations are FHLB advances and junior subordinated debentures, operating lease agreements for banking and subsidiaries' offices and for data processing and telecommunications equipment. Comparing **March 31, 2024** **June 30, 2024** to December 31, 2023, short-term borrowings increased by **\$34.1 million** **\$17.1 million** as the Bank borrowed \$40.0 million from the BTFP in January 2024, which was partially offset by a decrease of **\$4.9 million** **\$22.9 million** in other short-term borrowings due primarily to fluctuations in municipal customer balances the shift of approximately \$22.0 million in overnight investment sweep products, balances into the ICS product to release pledging of investment securities for municipalities to increase available liquidity.

Commitments

Loan commitments are made to accommodate the financial needs of our customers. Letters of credit commit us to make payments on behalf of customers when certain specified future events occur. The credit risks inherent in loan commitments and letters of credit are essentially the same as those involved in extending loans to customers, and these arrangements are subject to our normal credit policies. We are not a party to any other off-balance sheet arrangements.

Commitments to extend credit in the form of consumer, commercial and business at the dates indicated were as follows:

(in thousands)	March 31, 2024		December 31, 2023		December 31, 2024	
	\$		\$		\$	
Residential mortgage - home equity	\$	72,515	\$	72,080	\$	73,655
Residential mortgage - construction				17,684		17,684
Commercial				160,196		160,196
Consumer - personal credit lines				4,186		4,186
Standby letters of credit				11,037		11,037

Total	\$ 256,144	\$ 265,183	\$ 251,639	\$ 265,183
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The decrease of **\$9.0 million** **\$13.5 million** in commitments at **March 31, 2024** **June 30, 2024** when compared to December 31, 2023 was due to fluctuations in line of businesses utilizing construction funding. These balances shifted to loans outstanding.

For the six-month periods ended June 30, 2024 and 2023, net credit balances of commercial customers.

Credit loss expense for off-balance sheet credit exposures was a credit of **\$15 thousand** approximately **\$72,000** and an expense of approximately **\$90,000**, respectively. For the second quarter of 2024 and 2023, net credit loss for the three-month period ended March 31, 2024, off-balance sheet exposures was a credit of approximately **\$57,000** and a credit of approximately **\$39,000**, respectively.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk

The First United Corporation is a "smaller reporting company" as defined in Rule 12b-2 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, accordingly, is not required to include the information required by this item is included in Item 2 of Part I of this report under the caption "Market Risk and Interest Sensitivity" and in Item 7 of Part II of First United Corporation's [Annual Report on Form 10-K for the year ended December 31, 2023](#) under the heading "Market Risk and Interest Sensitivity" both of which are incorporated in this Item 3 by reference. item.

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Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the **Securities Exchange Act of 1934** with the **SEC**, **Securities and Exchange Commission** (the "SEC"), such as this Quarterly Report, is recorded, processed, summarized and reported within the periods specified in those rules and forms, and that such information is accumulated and communicated to our management, including First United Corporation's principal executive officer ("PEO") and its principal financial officer ("PFO"), as appropriate, to allow for timely decisions regarding required disclosure. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

An evaluation of the effectiveness of these disclosure controls as of **March 31, 2024** **June 30, 2024** was carried out under the supervision and with the participation of management, including the PEO and the PFO. Based on that evaluation, management, including the PEO and the PFO, has concluded that our disclosure controls and procedures are, in fact, effective at the reasonable assurance level.

During the **three** **six** months ended **March 31, 2024** **June 30, 2024**, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

[Table of Contents](#)**Part II. OTHER INFORMATION****Item 1. Legal Proceedings**

None.

Item 1A. Risk Factors

The risks and uncertainties to which our financial condition and operations are subject are discussed in detail in Item 1A of Part I of First United Corporation's Annual Report on Form 10-K for the year ended December 31, 2023. Management does not believe that any material changes in our risk factors have occurred since they were last disclosed.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None. The following tables summarizes stock repurchases for the three-months ended June 30, 2024:

Issuer Purchases of Equity Securities					
Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (1)	
				742,902	
April 2024	—	\$ —	—	742,902	
May 2024	201,800	19.99	201,800	541,102	
June 2024		—	—	541,102	
Total	201,800	\$ 19.99	201,800	541,102	

Note:

(1) All shares were purchased in open-market transactions pursuant to First United Corporation's stock repurchase program that was effective on August 18, 2023. The program authorizes the repurchase of up to 825,000 shares of common stock of First United Corporation. The program authorizes the repurchases to be conducted through open market or private transactions at such times, in such amounts, and, within certain limits, at such prices per transaction as the Chairman and Chief Executive Officer of First United Corporation determines to be appropriate. The program was publicly announced on August 21, 2023.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

During the quarter three months ended March 31, 2024, Marisa Shockley, none of First United Corporation's directors or officers informed First United Corporation of their adoption, modification, or termination of a "director of the Company, terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" (as arrangement," as those terms are defined in Item 408(c) 408 of the SEC's Regulation S-K). The arrangement was adopted on May 16, 2023 and contemplated the monthly purchase on the open market of a specified dollar amount of shares of the Company's common stock on the first business day of each month, beginning on June 1, 2023, at times and at market prices on such dates as determined

by her broker, until the earlier of (i) the termination of the plan by Ms. Shockley, (ii) the termination of Ms. Shockley's position as a director or an officer of the Company, (iii) Ms. Shockley's death and (iv) May 31, 2024.

During the quarter ended March 31, 2024, no other director or officer of the Company adopted or terminated (i) any contract, instruction or written plan for the purchase or sale of securities of the registrant intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) promulgated under the Exchange Act or (ii) any "non-Rule 10b5-1 trading arrangement" (as defined in Item 408(c) of the SEC's Regulation S-K).

S-K.

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Item 6. Exhibits

The exhibits filed or furnished with this quarterly report are listed in the following Exhibit Index.

Exhibit	Description
31.1	Certifications of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith)
31.2	Certifications of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith)
32	Certification of the Principal Executive Officer and the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith)
101.INS	Inline XBRL Instance Document (filed herewith)
101.SCH	Inline XBRL Taxonomy Extension Schema (filed herewith)
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase (filed herewith)
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase (filed herewith)
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase (filed herewith)
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase (filed herewith)
104	The cover page of First United Corporation's Quarterly Report on Form 10Q for the quarter ended March 31, 2024 June 30, 2024 formatted in Inline XBRL, included within the Exhibit 101 attachments (filed herewith).

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FIRST UNITED CORPORATION

Date: **May 8, 2024** August 7, 2024

/s/ Carissa L. Rodeheaver

Carissa L. Rodeheaver, CPA

Chairman of the Board, President and Chief Executive Officer
(Principal Executive Officer)

Date: **May 8, 2024** August 7, 2024

/s/ Tonya K. Sturm

Tonya K. Sturm, Senior Vice President,

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

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Exhibit 31.1

Certifications of the Principal Executive Officer
Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14
As adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Carissa L. Rodeheaver, certify that:

1. I have reviewed this quarterly report on Form 10-Q of First United Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **May 8, 2024** August 7, 2024

/s/ Carissa L. Rodeheaver

Carissa L. Rodeheaver, CPA

Chairman of the Board, President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certifications of the Principal Financial Officer
Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14
As adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Tonya K. Sturm, certify that:

- I have reviewed this quarterly report on Form 10-Q of First United Corporation;
- Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **May 8, 2024** August 7, 2024

/s/ Tonya K. Sturm

Tonya K. Sturm, Senior Vice President,
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32

Certification of Periodic Report
Pursuant to 18 U.S.C. § Section 1350
As adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to, and for purposes only of, 18 U.S.C. § 1350, each of the undersigned hereby certifies that (i) the Quarterly Report of First United Corporation on Form 10-Q for the quarter ended **March 31, 2024** **June 30, 2024** filed with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of First United Corporation.

Date: **May 8, 2024** August 7, 2024

/s/ Carissa L. Rodeheaver

Carissa L. Rodeheaver, CPA
Chairman of the Board, President and Chief Executive Officer
(Principal Executive Officer)

Date: **May 8, 2024** August 7, 2024

/s/ Tonya K. Sturm

Tonya K. Sturm, Senior Vice President,
Chief Financial Officer
(Principal Financial Officer)

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